

**TOPIC S**

# TOPIC S - MOTIVATION

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**Key focus:**

Students will be introduced to the concept of employee motivation and the characteristics of a poorly motivated workforce. Students will consider how different financial and non-financial incentives could be used to motivate employees and the benefits this brings to businesses. They will learn how to calculate labour turnover and the significance of the results for business performance.

**Specific Learning Outcomes for this topic:**

<b>S1</b>	Analyse the effects on business of having a poor/well motivated workforce.
<b>S2</b>	Evaluate the financial and non-financial incentives that might be used to motivate workers.
<b>S3</b>	Analyse the impact on business of labour turnover and absenteeism, including the calculation of labour turnover rate.
<b>S4</b>	Recommend how a business might improve the motivation of its workforce for a given context.

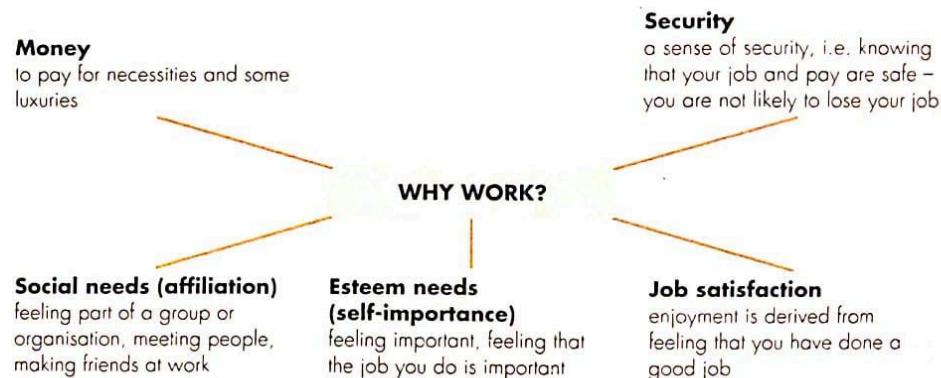
# Why people work

## Definitions to learn

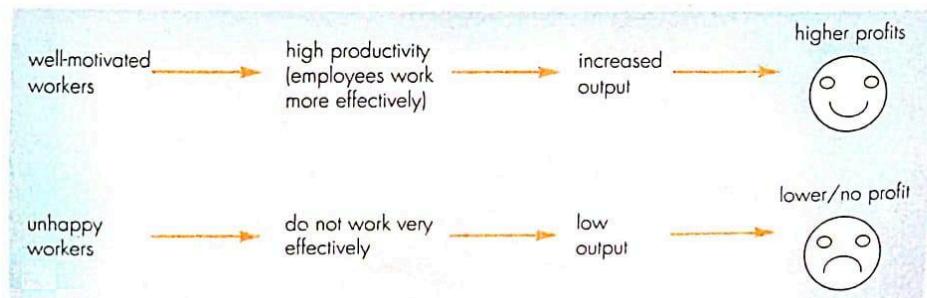
**Motivation** is the reason why employees want to work hard and work effectively for the business.

People work for a variety of reasons. The main reason why most people work is because they need to earn money to buy food and the basic necessities for life. But some work is voluntary and does not yield any money. This chapter considers a wide range of **motivations** for work and how firms can make use of this motivation to encourage their workers to work more effectively. High productivity in a business usually comes from a workforce that is motivated to work effectively and from this comes increased profits. It also considers leadership styles which might be used by managers, the effect of trade unions on the workers and legal considerations when employing workers.

The reasons why people work are summarised in the diagram below.



Of course, improved organisation in a business and/or the increasing use of new technology, especially when it replaces workers, result in productivity gains. However, businesses also need to recognise that the value of their employees' output, in terms of how much they produce and the quality of it, comes from how well motivated they are to work effectively. Employees are a firm's greatest asset!



## Effects of Poorly Motivated Workforce:

- **Decreased productivity: Example** - A study showing how unmotivated employees take longer to complete tasks.
- **Increased absenteeism: Example** - High absenteeism rates leading to disruptions in production schedules.

- **Low morale and engagement: Example** - Survey results showing disengaged employees are less likely to contribute ideas for improvement.

#### **Effects of Well-Motivated Workforce:**

- **Increased productivity and efficiency: Example** - Company case study showing how a motivated workforce led to higher output.
- **Reduced absenteeism and turnover: Example** - Company policy changes leading to improved work-life balance and lower absenteeism rates.
- **Higher job satisfaction and morale: Example** - Employee testimonies on how recognition and rewards improve their motivation.

# Motivation theories

When people work for themselves they tend to work hard and effectively as they see the direct benefits of their labours. However, once people work for someone else then they may not work as effectively. One of the tasks of management is to get their workforce to contribute fully to the success of the business. To this end, many studies have been carried out to discover what makes employees work effectively. Three main theories are outlined on the following pages.

## F.W. Taylor

Frederick Taylor started his working life as a labourer in a factory in America in the 1880s. He rose to become chief engineer. During this time he conducted experiments, at the steel company where he worked, into how labour productivity could be increased. Taylor based his ideas on the assumption that all individuals are motivated by personal gain and therefore, if they are paid more, they will work more effectively. He was looking at workers who worked in factories. He broke down their jobs into simple processes and then calculated how much output they should be able to do in a day. If they produced this target output, they would be paid more money. Taylor saw employees rather like machines – when they were working hard, their productivity would be high and therefore their labour costs would be low. (Any extra output would be worth more than the extra pay the workers received.)

Taylor's ideas resulted in big productivity gains at the company where he worked and many other businesses adopted his ideas. But there are several criticisms of Taylor's ideas:

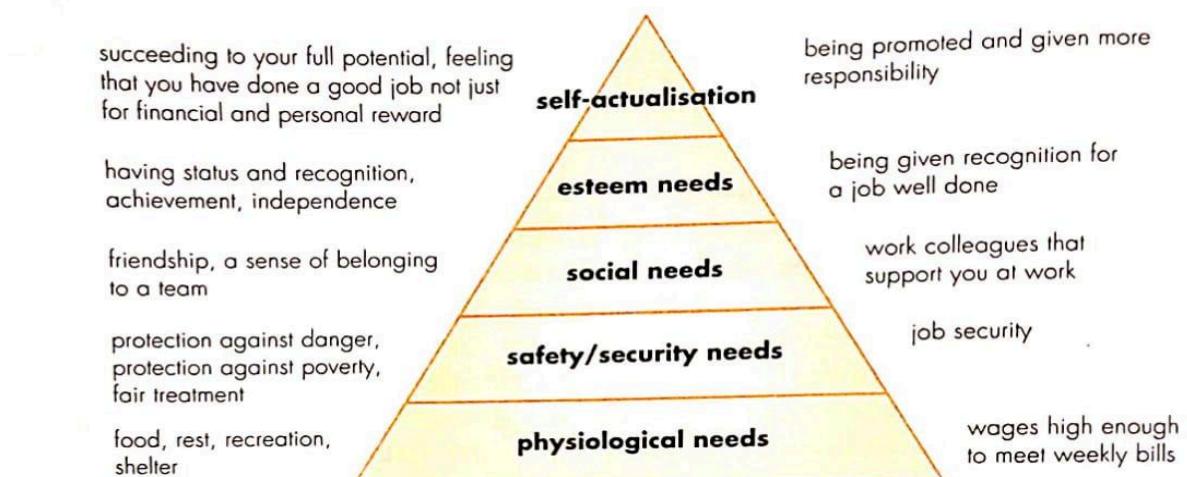
- his ideas were too simplistic – employees are motivated by many things and not just money
- you can pay an employee more money, but if they are unfulfilled by their work in some way, there will be no increase in their effectiveness at work and there will be no productivity gains
- a practical problem arises if you cannot easily measure an employee's output.

### Activity 6.1

- a) From the following list of jobs, say what you could measure to find out how effectively the employees are working (how much output they are producing):
  - car production worker
  - shop assistant
  - waiter
  - teacher
  - police officer
  - soldier
  - baker.
- b) Are there any jobs from the list for which output is difficult to measure? If so, explain why it is difficult to measure their output in each case.
- c) If you cannot measure workers' output, how can you pay them more money if they work harder or more effectively?
- d) Does this present problems for modern economies today where the majority of the workforce work in service sector jobs?

## Maslow

Abraham Maslow studied employee motivation. He proposed a hierarchy of needs, shown in this diagram.



Maslow's hierarchy of needs

- Businesses have begun to recognise that if employees are going to be motivated to work effectively then the higher levels in the hierarchy must be available to them – money alone will not be the single route to increased productivity as was thought by Taylor. Evidence for the hierarchy can be seen in people who are unemployed. They very often lose their self-respect and self-esteem and may not have the feeling of belonging to society, which often comes from working.
- Maslow also suggested that each level in the hierarchy must be achieved before an employee can be motivated by the next level. For example, once social needs are met, this will no longer motivate the employee, but the opportunity to gain the respect of fellow workers and to gain esteem could motivate the employee to work effectively. If this is true, then there are important messages for management in the way employees are managed.
- There are problems in that some levels do not appear to exist for certain individuals, while some rewards appear to fit into more than one level. For example, money allows basic needs to be purchased, but high pay can also be a status symbol or indicator of personal worth.
- Managers must identify the level of the hierarchy that a particular job provides and then look for ways of allowing the employees to benefit from the next level up the hierarchy. For example, workers in agriculture who work on a temporary basis, when required, will probably have physiological needs fulfilled, but security needs may be lacking. If they were offered full-time jobs, they might feel more committed to the business and work more effectively for it.

## Herzberg

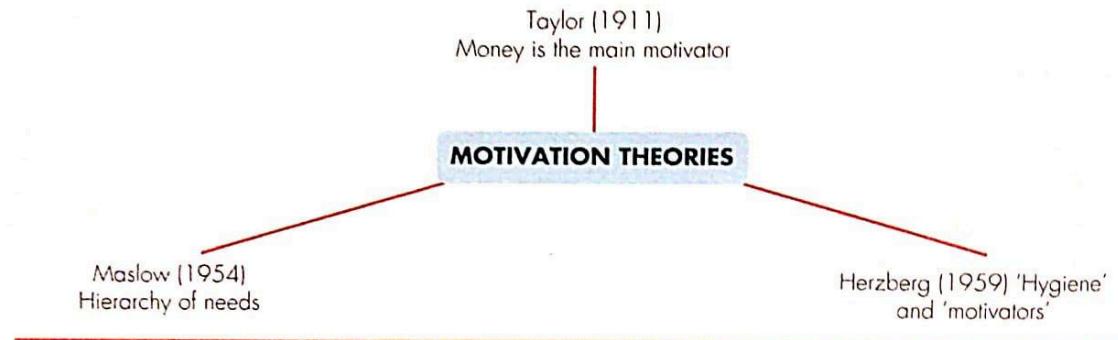
Frederick Herzberg's motivation theories were based on his study of work on engineers and accountants in the US. According to Herzberg, humans have two sets of needs; one is for the basic animal needs, which he called 'hygiene' factors or needs, and the second is for a human being to be able to grow psychologically, which he called 'motivational' needs or 'motivators'.

Motivators
achievement
recognition
personal growth/development
advancement/promotion
work itself
'Hygiene' (or 'maintenance') factors
status
security
work conditions
company policies and administration
relationship with supervisor
relationship with subordinates
salary

According to Herzberg, the 'hygiene' factors must be satisfied; if they are not satisfied, they can act as demotivators to the worker. However, they do not act as motivators, as once satisfied the effects of them quickly wear off. True motivators are found in other factors, as shown in the table above.

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## Revision summary: motivation theories



## Motivating factors – financial rewards/motivators

It is the responsibility of management, and often the Human Resources department, to motivate the workforce. A well-motivated workforce helps to raise productivity. Employees who are well motivated tend to have fewer days off work and are less likely to have grievances which result in strike action.

So how can managers motivate their employees – whether it be in the office or on the factory floor? There are three factors which can motivate employees:

- financial rewards
- non-financial rewards
- introducing ways to give job satisfaction.

### Financial and Non-Financial Incentives:

- **Financial incentives: Examples** - Performance bonuses, profit sharing, and salary increases.
- **Non-financial incentives: Examples** - Recognition, flexible working hours, and career development opportunities.

## Financial rewards

Pay may be seen as a main reason for working, but there are other reasons, as has been discussed in ‘Motivation theories’ on pages 65–68. However, pay may be used to give incentives to employees to encourage them to work harder or more effectively. Payment can take various forms, the most common of which are outlined below.

### Wages

**Wages** are often paid every week, sometimes in cash and sometimes into a bank account.

- The worker gets paid on a regular basis and does not have to wait long for some money. Wages tend to be paid to manual workers, such as those who work in a warehouse.
- If the employee works longer than their normal hours, they can usually be paid overtime. This is their regular amount per hour plus an extra amount. This is an incentive to work additional hours when required by the business.

However, there are some drawbacks:

- As the wages are paid weekly, they have to be calculated every week, which takes time and money.
- Wages clerks are often employed to perform this task.

When calculating the wages to be paid, they can be worked out in a number of different ways.

### Time rate

This is payment by the hour (payment for a period of time). For example, if an employee is paid \$10 per hour and they work for 40 hours, then they will be paid \$400.

- This makes it easy to calculate the worker’s wages and the worker knows exactly what they will be paid for working a certain period of time.

However, there are drawbacks:

- The hours worked are often recorded on a time-sheet which must be filled in and used to calculate the wages by the Accounts department. This system takes time.
- Good and bad workers get paid the same amount of money.
- Often supervisors are needed to make sure the workers keep working and producing a good quality product. This is expensive because more supervisors are needed by the business.
- A clocking-in system is needed to determine the number of hours worked by the employees.

Time rate is often used where it is difficult to measure the output of the worker, for example a bus driver or hotel receptionist.

### Piece rate

This is where the workers are paid depending on the quantity of products made – the more they make, the more they get paid. A basic rate is usually paid with additional money paid according to how many products have been produced. Piece rate can be

### Definitions to learn

A **salary** is payment for work, usually paid monthly.

**Commission** is payment relating to the number of sales made.

**Profit sharing** is a system whereby a proportion of the company's profits is paid out to employees.

A **bonus** is an additional amount of payment above basic pay as a reward for good work.

**Performance-related pay** is pay which is related to the effectiveness of the employee where their output can easily be measured.

**Share ownership** is where shares in the company are given to employees so that they become part owners in the company.

applied to bonus systems where employees who produce more than a set target of output can be rewarded. Piece rates can only be used where it is possible to measure the performance of an individual or a team.

- The advantage with this system is that it encourages workers to work faster and produce more goods.

However:

- Workers may concentrate on making a large number of products and ignore quality, producing goods that may not sell very well because they are of a poor quality. This usually requires a quality control system and this is expensive. If poor quality goods are produced, this could damage the reputation of the business.
- Workers who are careful in their work will not earn as much as those who rush, which may not be seen as fair. Friction between employees may be caused as some will earn more than others.
- If the machinery breaks down, the employees will earn less money. Because of this, workers are often paid a guaranteed minimum amount of money.

### Salaries

**Salaries** are paid monthly, normally straight into a bank account. They are not paid in cash. It is usual for office staff or management (white-collar workers) to be paid salaries.

- A salary is calculated as an amount of money per year and is divided into 12 monthly amounts. This is easy to calculate salary costs for the business.
- It is paid for the job and extra work is not usually paid for – it is counted as part of the salary.
- The employer has the money in their bank account for longer than if they were paying their workers wages, as salaries are paid only once a month.
- The payment has to be calculated only once a month instead of at least four times a month – as with wages.

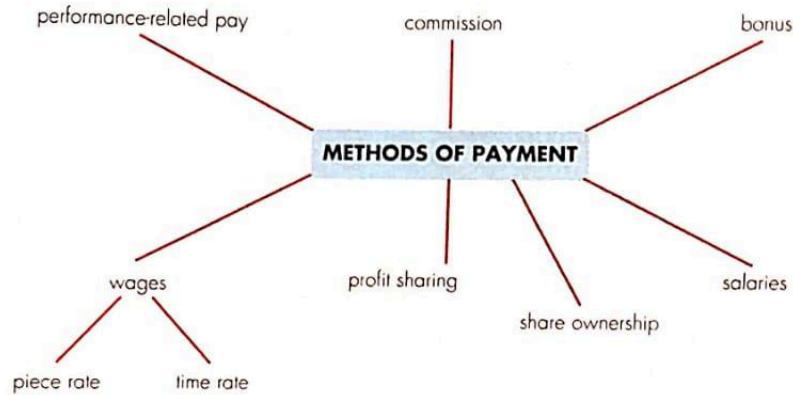
Salaries are usually a standard rate (a set amount of money) but workers may get more money if the following rewards are added to the basic salary: **commission; profit sharing; bonus; performance-related pay; share ownership**.

<b>Commission</b>	Often paid to sales staff. The more sales they make the more money they are paid – similar to piece rate. This encourages the sales staff to sell as many products as possible. This should be good for the business as sales may increase. However, if the sales staff are very persuasive and encourage people to buy goods they don't really want, then the business may see its sales increase only in the short term and then fall again as it gets a bad reputation. It can be very stressful for the sales staff because if they have a bad month, their pay will fall.
<b>Profit sharing</b>	Employees receive a share of the profits in addition to their basic salary. This will motivate the workers to work hard as they all receive a share of the profits earned by the business. The rest of the profits will be paid as dividends to the shareholders or retained by the business. Profit sharing is often used in the service sector where it is difficult to identify an individual employee's contribution to the increased profits, but they will all benefit from more productive work.
<b>Bonus</b>	A lump sum paid to workers when they have worked well. It can be paid at the end of the year or at intervals during the year.

**Definitions to learn**

An **appraisal** is a method of assessing the effectiveness of an employee.

<b>Performance-related pay</b>	Employee pay is linked to the effectiveness of their work. Again often used where output cannot readily be measured, for example police officers, teachers, managers or health workers. To assess their performance, businesses often use a system of <b>appraisal</b> . Appraisal is where an employee's immediate superior observes their work, talks to the worker's colleagues and then carries out an interview with the employee to discuss their progress and their effectiveness. Training needs may be identified at the appraisal interview and this should help to improve the employee's effectiveness in the future.
<b>Share ownership</b>	Employees are given some shares in the company. This should encourage them to work hard as they will receive dividends if the company does well. Also, the share price will increase if the company is doing well and so increase the value of their shares. May improve employee loyalty, as they will have a greater sense of being part of the company.

**Revision summary: methods of financial reward****Tips for success**

Make sure you are able to choose suitable methods of payment for different jobs.

**Motivating factors – non-financial rewards/motivators**

In addition to financial rewards, firms may give non-financial rewards. Non-financial rewards vary according to the seniority of the job. Factory workers may get discounts on the firm's products, but they would not all have a company car, whereas a senior manager may have several non-financial rewards, such as a house, a car and an expense account. These are sometimes called perks or **fringe benefits** of a job. Non-financial rewards may include:

- company vehicle (car)
- discounts on the firm's products
- health care paid for
- children's education fees paid
- free accommodation
- share options (where company shares are given to employees)
- generous expense accounts (for food and clothing)
- pension paid for by the business
- free trips abroad/holidays.

**Definitions to learn**

**Fringe benefits** are non-financial rewards given to employees.

#### Activity 6.4

For the following jobs, say which methods of reward (financial or non-financial) would be suitable and why. (Remember to consider whether it is easy to measure their output – this may affect how you decide to reward their efforts.)

- a) car production worker
- b) hotel receptionist
- c) teacher
- d) shop assistant
- e) managing director
- f) taxi driver

## Job satisfaction

There are other ways that people can be motivated to be more committed to their job and work more effectively – they need to get enjoyment from doing their job. However, there are some factors that will make employees unhappy and these must be satisfied before the employees can be motivated in a positive way. For example, if the management of the business is not good and the employees are treated badly, giving them fringe benefits will probably not motivate them. If their rates of pay are perceived by the employees as very low relative to those of other similar workers, this will be a source of dissatisfaction to the employees. If these sources of dissatisfaction have been avoided, for example if reasonable wage rates are paid and employees are treated fairly at work, then other sources of **job satisfaction** can motivate employees.

Employees have different ideas about what makes their jobs satisfying. They include:

- pay – the amount of money paid to an employee (see pages 69–71)
- opportunities for promotion
- working conditions
- fringe benefits or non-financial rewards (see page 71)
- the way that the employee is managed or treated
- working hours
- colleagues
- the nature of the work itself
- level of responsibility
- the sense of achievement derived from the job
- recognition for good work
- chance for training
- status of the job.

Individual employees will have different ideas about which of these is the most important.

Compare a nurse with a machine operator in a factory. What do you think makes their jobs satisfying? Copy out the table below and list your ideas for each.

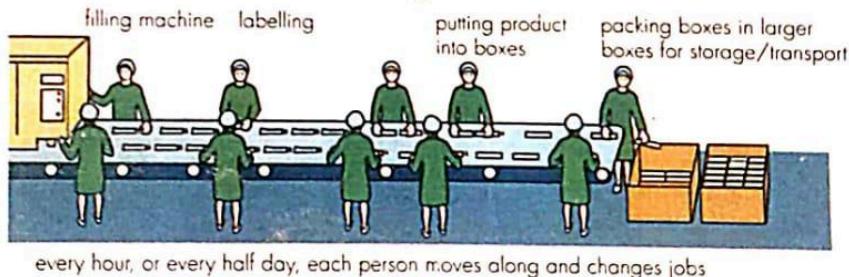
Nurse	Machine operator

Some of the motivation theories (particularly Maslow and Herzberg) emphasise that the important aspects of jobs are that they should give recognition, responsibility and satisfaction to the people doing them and allow the employee to gain a sense of achievement from the work itself. Some jobs may seem dull and boring, but with a little thought and creativity they can be made more interesting and consequently increase motivation.

There are several ways in which a business can increase the job satisfaction of its employees.

### Job rotation

Workers on a production line may carry out simple but different tasks. **Job rotation** involves the workers swapping round and doing each specific task for only a limited time (for example, for one hour) and then changing round again. This increases the variety in the work itself and also makes it easier for the managers to move workers around the factory if people are ill and their jobs need covering. However, it does not make the tasks themselves more interesting.



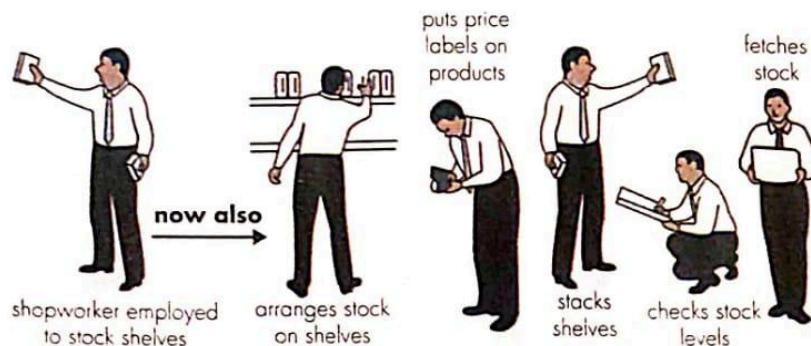
### Definitions to learn

**Job rotation** involves workers swapping round and doing each specific task for only a limited time and then changing round again.

**Job enlargement** is where extra tasks of a similar level of work are added to a worker's job description.

### Job enlargement

**Job enlargement** is where extra tasks of a similar level of work are added to a worker's job description. The extra tasks should not add extra work or increased responsibility to the employee, but they should give greater variety to the work and therefore increase job satisfaction.



## Job enrichment

**Job enrichment** involves looking at jobs and adding tasks that require more skill and/or responsibility. Additional training may be necessary to enable the employee to take on extra tasks. For example, employees may be given responsibility for a whole area of the work. If managers can design jobs so that they provide scope for fulfilling higher human needs, workers will often become more committed because they get more satisfaction from their jobs, again raising productivity.



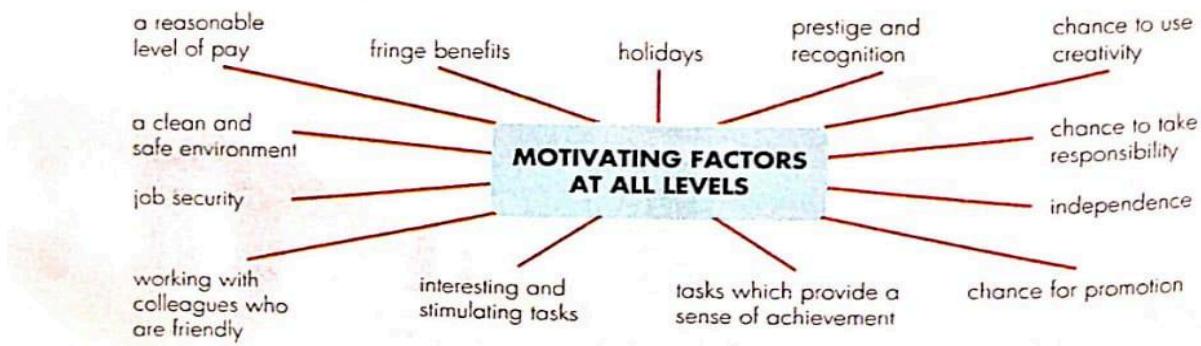
## Autonomous work groups or teamworking

This is where a group of workers is given responsibility for a particular process, product or development. They can decide as a group how to complete the tasks or organise the jobs. The workers can become more involved in the decision making and take responsibility for this process. This gives a feeling of control over the jobs/tasks and the employees feel more committed, therefore increasing job satisfaction. An example of this way of organising employees is on a car production line where particular parts of the assembly line are given over to teams of workers and they decide how to organise themselves. Often this leads to job rotation and job enrichment. Working as a group helps improve morale as well as giving a greater sense of belonging to the company.



A team of workers is responsible for a particular part of the assembly  
The team decides how the processes will be completed  
The tasks are allocated by the team themselves – they make the decisions

## Revision summary: motivating factors at all levels



### Activity 6.5

- Duncan is a computer programmer. He has a degree in Computer Studies and enjoyed writing programs as part of his degree course. He thought computer programming would be his ideal job. However, all he does is write simple programs for firms' Accounts departments which allow the processing of their paperwork.  
He is told what to do by his manager and is given little opportunity to visit the client to discuss their requirements and does not go to install the software at the business when it is finished. He is so fed up he is looking for another job.
- Sita works in a clothes shop. She spends her time looking after the changing room where she checks customers into the changing rooms and takes the garments which are not going to be purchased from them when the customers have tried them on. There are several other shop employees, one works at the cash till, one puts out the clothes on the rails and does the shop displays, one person works in the stock room and there is a manager who does all the ordering and administration for the shop. The shop can be very quiet on some days and very busy on others. Sita does not care if customers find the right clothes – she gets paid whether they buy the clothes or not.
- Tim works in a clothing factory. He cuts out the collars for shirts. The rest of the processes for making shirts are carried out by other employees. He has done this job for two years now and gets very fed up with what he is doing. He does not worry too much if the collars are slightly uneven as he thinks customers will not notice. The other employees who work with him in the shirt department feel the same as he does.

These three employees are not happy in their work. Suggest how you would try to improve their job satisfaction. Explain the reasons for your suggestions. (You may suggest more than one way for each of the employees.) Which do you think would be the best one to use and why?

