

2.4 Motivation and demotivation

Rewards

Some motivation theories focus on the rewards that employees may receive for good performance. These are typically classified into financial rewards and non-financial rewards. Modern motivation theory tends to emphasise the importance of non-financial rewards for employee performance. However, employees everywhere need a certain level of financial reward in order to meet their human needs.

International Mindedness

Countries, or even regions of countries, may have different laws that govern the minimum hourly wage for employees. These laws are aimed at preventing exploitation of vulnerable workers by ensuring a living wage. In many cases, however, the minimum wages are not high enough to provide for adequate living standards by the norms of the country.

Does your country have a minimum wage?

Financial rewards

Financial rewards involve monetary compensation for work. There are several types of financial rewards that a business may offer employees, as shown in **Figure 1** and explained in **Table 1**.



Figure 1. There are a variety of financial rewards that a business can offer employees.

Table 1. Types of financial reward.

Financial reward	Explanation
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Financial reward	Explanation
<u>Salary</u>	A monetary payment for work over a period of time, usually one year, paid in equal instalments. The employee is paid a set amount of money, regardless of the time it takes to do the job. However, the employment contract will usually outline the expectations for the number of hours worked in a week, and the number of weeks worked in a year. Overtime work may be paid extra if stated in the contract. This type of financial reward is generally appropriate when it is difficult to quantify the output of a worker, as in the tertiary and quaternary sectors.
Wage	<p>By time. Employees are paid a weekly sum based on the number of hours they work. If they work more hours, then they usually receive extra pay. This financial reward can be appropriate when the business needs an employee to provide a service during a particular time period, such as making coffee in a cafe.</p> <p>Piece work. A worker's pay is based on the number of units or 'pieces' they make or complete. This is the system that Taylor was referring to in his motivational theory. This type of financial reward can work well when the quantity of a good that is produced is particularly important to the business, as in a factory.</p>
<u>Commission</u>	Salespeople are paid a percentage of the total they sell. This can motivate the employee to sell more products.
Performance-related pay	Employees receive a bonus in addition to their usual pay. This can be based on individual or team performance. Bonuses usually involve some sort of predetermined goal or target, for example increasing sales by 10%. This financial reward can be appropriate when it is possible to quantify the employee's extra efforts.

Financial reward	Explanation
Profit-related pay	In addition to their usual pay, employees receive a percentage of the profits that the company makes. This type of financial reward is usually paid once per year, and can be useful to strengthen employees' commitment and loyalty to the business.
Employee share ownership	Employees are given shares in the company as a reward, or they are given the opportunity to buy shares at discounted prices. The employee becomes a shareholder in the business and has a direct stake in the business turning a profit. This financial reward is often used by startups that may not have the financial resources to pay employees high salaries, but where the hard work of employees at the start of the business can earn high rewards later if the business is successful.
Fringe payments	These rewards are given to the employee in addition to their pay, and may include benefits such as a company car, housing or school allowance, free meals, gym membership and other rewards. The level of benefits may depend on the employee's position, with higher positions earning more fringe payments.

Exam tip

When you discuss wages, it can be helpful to consider whether the wages are time-based or based on piece work. The appropriate form of wages can depend on the goals of the business and the type of work involved.

Case study

Gravity Payments

Gravity Payments is a company that processes credit card payments. After hearing some employees complaining about their low salaries, Dan Price the CEO decided to raise employee salaries to a minimum of \$70 000 per year. This meant that some employees saw their salaries doubled. Dan Price reduced his own \$1.1 million salary to \$70 000 to contribute to the pay increases for employees.

After the pay increases, labour turnover declined significantly, employees purchased homes and there was a baby-boom among employees. Years later, during the COVID-19 pandemic, Gravity Payments' revenues declined by half and the company risked insolvency. The employees volunteered to take significant pay cuts to help the business recover. Since then, Gravity Payments finances are back on track and the company has paid back all employees who took the pay cuts.

You can find a 5-minute video about this story here (<https://www.cbsnews.com/news/dan-price-gravity-payments-ceo-70000-employee-minimum-wage>).

Questions

- Define salary. [2 marks]
- Using Herzberg's two-factor theory, explain why raising salaries to a minimum \$70 000 reduced labour turnover at Gravity Payments. [4 marks]
- Explain one way that salary increases, like those at Gravity Payments, could improve a business's ability to respond to change, and explain one way that salary increases like this could reduce a business's ability to respond to change. [4 marks]

Non-financial rewards

Non-financial rewards are methods of recognising employee efforts and improving motivation through improved job design. This might involve increasing variety and autonomy in the employee's work, creating more meaning around the work, or strengthening collaboration and relationships in the work. These methods are shown in **Figure 2** and explained in **Table 2**.



Figure 2. There are a variety of non-financial rewards that a business can offer employees.

Table 2. Types of non-financial reward.

Non-financial reward	Explanation
<u>Job enrichment</u>	This is when employees’ jobs are redesigned to be more complex. Often the employee will need to improve skills and may need training. Job enrichment is considered a reward and motivating because the employee gets to improve skills and increase the challenge associated with the job.

Non-financial reward	Explanation
<u>Job rotation</u>	This is when employees change jobs for a period of time in order to learn a new task within a work process, or within the broader business. Job rotation adds variety to an employee's job and increases their skills, which can be motivating. Job rotation also helps to make the business more resilient as employees become more flexible.
<u>Job enlargement</u>	This is when additional tasks are added to an employee's job description. These additional tasks are usually on the same level as the employee's current skill set. Job enlargement involves added responsibilities, but not necessarily more complex responsibilities. Job enlargement can be motivating because it increases the variety in the employee's work.
<u>Empowerment</u>	This involves giving employees greater responsibility in choosing how to perform their job and making decisions in the workplace. Empowerment creates a sense of trust from management and a sense of accomplishment and pride in the employee. Employees can see that they are an integral part of the business and its success. Research has found that empowerment and autonomy are powerful motivators.

Non-financial reward	Explanation
<u>Purpose</u>	<p>This is when the employee seeks to make a positive contribution with their work for the greater good. Seeing meaning in their work can improve the intrinsic motivation of employees, making them more productive and happier. Businesses that work to support the social foundation and respect planetary boundaries at the local and global scale (Section 1.3.4 (/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/ethical-objectives-and-corp-social-resp-csr-id-36850)) will have more motivated workers. These workers will likely see the work itself as rewarding, as Herzberg's two-factor theory (Section 2.4.1 (/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/1-id-39560)) claimed. Apart from the ethical reasons for doing good in the world, employee motivation and engagement is a powerful reason for businesses to examine their mission, vision and operations.</p>
<u>Teamwork</u>	<p>Relationships are important to human beings. Research shows that people with strong ties to others are happier and healthier than those without strong ties. This holds true at work as well. Collaborating in a team to solve genuine problems is one of the best ways to motivate workers, cultivate community, and increase productivity in the workplace.</p>

Activity

Learner profile: Reflective

Approaches to learning: Self-management skills (reflection)

Read [this article in Forbes magazine](https://www.forbes.com/sites/forbeshumanresourcescouncil/2021/11/10/how-to-meet-gen-zs-workplace-expectations/?sh=78df2cec74ff)

(<https://www.forbes.com/sites/forbeshumanresourcescouncil/2021/11/10/how-to-meet-gen-zs-workplace-expectations/?sh=78df2cec74ff>), which discusses the

workplace expectations of Generation Z (Gen Z) employees. Gen Z consists of people who were born from the mid-1990s to early 2010s. That includes you!

- According to the article, which kinds of rewards discussed in this section might be most effective with Gen Z workers?
- Do you agree with the article's description of workplace expectations of your generation? Why or why not?

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (transfer, critical thinking)

1. Imagine that you are a barista at a cafe. Your main task every day is to make the coffee for customers. Your tasks are limited to making the coffee using the espresso machine or filters and to making sure the machine and your work area stays clean during the day. You are paid an hourly wage that is just a little above the minimum wage in your country.
 - Using the list of financial and non-financial rewards from this section, discuss with a partner how each reward might be used to improve your performance. Make sure to put the reward in the context of a barista in a cafe.
2. **(Extension activity)** This section on non-financial rewards focuses on how an employer can use non-financial rewards to improve the motivation of employees. However, employees often have more power over designing their jobs than they think. Listen to the following two podcasts, which explain how.
 - Finding Meaning At Work: How We Shape And Think About Our Jobs (<https://www.npr.org/2019/09/12/760255265/finding-meaning-at-work-how-we-shape-and-think-about-our-jobs?t=1649745145332>) (50 minutes)
 - Find Joy in Any Job: Why Am I Unhappy at Work? (<https://hbr.org/podcast/2022/04/find-joy-in-any-job-why-am-i-unhappy-at-work>) (24 minutes)

Concept

Creativity

There are numerous connections between work rewards and people's key concepts. Financial rewards in the workplace can have a positive or negative impact on creativity, depending on how they are used. Research shows that additional financial rewards, such as bonuses, may be effective at increasing productivity when the work involved is routine and does not require creative thinking or problem solving. However, if creativity and problem solving are needed, financial rewards can make human performance worse. Financial incentives can also undermine the intrinsic motivation to complete a task.

On the other hand, non-financial rewards seem to increase creativity. When these rewards involve new challenges for employees – such as job enrichment, job enlargement or empowerment – employees improve their skills and may become more creative and better problem solvers. Improving the sense of purpose at work and providing more opportunities for teamwork stimulates intrinsic motivation, which improves creativity.

Concept

Sustainability (economic)

Financial rewards need to be used carefully for the economic sustainability of the business too. If businesses offer financial rewards connected with targets, such as increased revenues or profits, they need to be careful that this incentive does not undermine the business. It may happen that employees reach short-term revenue or profit targets through behaviour that undermines the long-term health of the business. This occurred in the banking industry during the financial crisis of 2008–2009. Employees engaged in very risky investment behaviour, which boosted profits in the short-term, but undermined the overall financial stability of banks. Thus, financial incentives need to be designed very carefully to promote the long-term economic sustainability of the business.

As with creativity, non-financial rewards seem to do a better job at fostering sustainability. Job challenge, purpose and teamwork motivate employees and strengthen their connection to their work and employer. But these rewards also improve the resilience of the business, enabling it to respond to changes in the external environment more effectively.