



UNIVERSITÄT
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Management by Incentives

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What is an Incentive?

“An incentive is something that motivates or drives one to do something or behave in a certain way.” Defintion Wikipedia

Different Kinds of Incentives/Rewards



Graphic according to Holtbrügge 2007

Material Incentives: valuable considerations (beside the fixed salary) paid by the company. Such as:

- Gain Sharing
- Company car
- Notebook/ Smartphone
- Retirement provisions
- Company health insurance
- Boni
- Kindergarten subventions
- Cafeteria Tickets

Immaterial Incentives: difficult to measure, go along with prestige, company culture etc.

- Work Time Models
- Working atmosphere
- Vacation Models
- After Work Activities
- Communication
- Training

It's not easy to differentiate material from immaterial incentives. Sometimes material incentives have an immaterial value as well (Appreciation of performance, Image effects).

Salary: the exchange of money for the time, mental and physical resources the employee offers to the company [Holtbrügge, 2007].

The "Genfer Schema" can be used to identify job requirements:

- **intellectual requirements:** mental pressure, thinking-processes, professional skills
- **physical requirements:** Physical pressure and burden of senses
- **responsibility:** Safety and personnel management
- **environmental influences:** temperature, radiation, dust and background noise

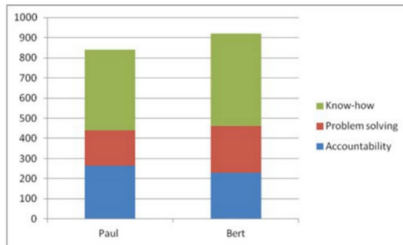
Genfer Schema

	Können	Belastung
1. Geistige Anforderung	x (Kenntnisse)	x (geistige Belastung)
2. Körperliche Anforderung	x (Geschicklichkeit)	x (Muskelarbeit)
3. Verantwortung	x	–
4. Arbeitsbedingungen	–	x

Established in 1943 and used all over the world; offers a structured method to evaluate and rank jobs. Using the Hay Guide makes jobs and their income comparable inside the company and to competitive companies as well [HayGroup, 2012].

- **Know-how** technical know-how, Management breadth, Human relations skills
- **Problem-solving** Thinking environment, thinking challenge
- **Accountability** freedom to act, nature of impact, area of impact
- = Total job size

Hay Chart Guide



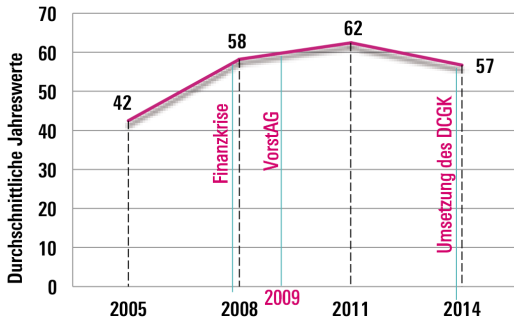
see full video: <https://vimeo.com/99906701>

Manager to Worker Pay Ratio

Manager to Worker Pay Ratio Compare two dimensions: average income of full time employees and average income of managers

Abbildung 1

Durchschnittliche Manager to Worker Pay Ratio der Dax-30-Unternehmen in den Jahren 2005, 2008, 2011 und 2014



Quelle: eigene Darstellung

Hans Böckler
Stiftung

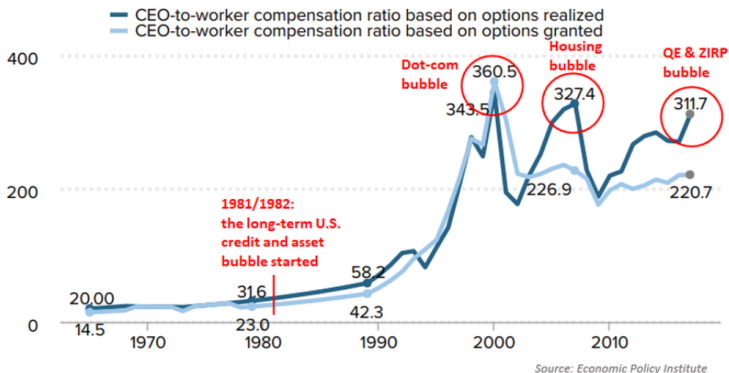
Source [?]

Manager to Worker Pay Ratio

US Perspective:

CEOs make 312 times more than typical workers

CEO-to-worker compensation ratio, 1965–2017



CEO To Worker Pay Ratio JESSE COLOMBO

Source: [For, 2003]

Swiss Referendum: "Eidgenössische Volksinitiative '1:12 - Für gerechte Löhne"
the maximum income per month in a company is not allowed to be higher
than 12x the minimum income per month [?]

For so called lower skilled, boring and repetitive jobs a better performance can be reached due to monetary incentives. But for a lot of tasks these kind of boni often don't work or even harm the outcome.

But **why**?

- employees tend to work only to fulfill the bonus regulations
- customer satisfaction is not center of interest anymore
- employee could perform better, but don't want to

→ Focus on intrinsic motivation! [Solbach, 2019]

Comparing Different Generations

	Baby Boomer	Generation X	Generation Y	Generation Z
Geboren	Ab 1950	Ab 1965	Ab 1980	Ab 1995
Grundhaltung	Idealismus	Skepizismus	Optimismus	Realismus
Hauptmerkmal	Selbsterfüllung	Perpektiven- losigkeit	Leistungs- bereitschaft	„Flutterhaftigkeit“
Bezug	(lokale) Gemeinschaft	(lokale) Gemeinschaft	(internationale) Gesellschaft	(globale) Gesellschaft
Rolle	Kollektivismus	Individualismus	Kollektivismus	Individualismus
Aktivitätsniveau	Mittel	Niedrig	Mittel	Hoch
Informiertheit	Mittel	Wenig	Mittel	Stark
Qualifikation	Lernen für das Unternehmen	Wenig lernen	Bezahltes Lernen	Für sich lernen
Ausrichtung	Nur Beruf	Privat (trotz Beruf)	Beruf, verbunden mit Privat	Privat (und Beruf getrennt)

Quelle: Univ.-Prof. Dr. Christian Scholz – Generation Z: Willkommen in der Arbeitswelt

Gen

<http://die-generation-z.de/festlohnprinzip-fuer-20gen-z/>

- Gen Z: **prefers fixed salary**; a high income is not that important, individual fulfilment is prioritized
- Gen Y: **fixed salary can lead to lack of motivation** because individual achievements are not valued

Conclusion:

1. Staffing consists of different generations → new compensation systems
2. Companies need to focus more and more on immaterial incentives to please all generations

Individualized payment: employees can choose their preferred compensation within a pre-defined budget.

- **PRO:** maximum individualized work- and payment model corresponding to individual needs and financial situation, can be seen as an immaterial incentive
- **CONS:** high administration effort, depends on global economic factors

[Holtbrügge, 2007]

New Work - New Pay? [Franke, 2019]

- **Participation:** Employees are involved in defining compensation models
- **New Leadership:** Creating alternative incentives instead of bonuses
- **Payment Transparency:** open processes income schemes
- **Work-Life-Balance:** Free time and flexibility are included

[For, 2003] (2003).

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[Franke, 2019] Franke, Hornung, N. (2019).

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Zeit zum umdenken.