

Lecture 15/16, Feb 13, 2023

Motivation at Work

- Financial incentives increase performance and decrease turnover
 - Pay may well be the most important and effective motivator of performance
 - However money typically has a cap in terms of how much they can satisfy/motivate us
- Compensation is often an incentive to perform, not necessarily for your direct performance – it is an investment in performance
- Money as a motivator primarily focuses on need-based theories
- Problems with wage incentives:
 - Lowered quality
 - Differential opportunity
 - Reduce cooperation
 - Incompatible job design (where the job requires you to do one thing but the incentive makes you do another)
 - Restriction of productivity
- Wage incentives hit differently depending on the occupation (e.g. blue/physical vs white collar/office jobs)
- Merit pay plans are often used to motivate employees; these link pay to performance on white collar jobs
 - Managers use employee evaluation results to recommend merit pay awarded to each individual
 - e.g. linking pay to performance, seniority, responsibilities
 - The challenge is the ambiguity in connection between merit pay and performance (e.g. more pay for seniority – does seniority directly lead to performance?)
 - * Subjective evaluations impacted by biases
 - * Small increases – are they motivating enough?
 - * Lack of visibility into standards and privacy
- Pay plans to motivate *teamwork*:
 - Profit sharing: the return of some company profit to employees in the form of a cash bonus or retirement supplement
 - Employee stock ownership plans: allowing employees to own a set amount of a company's shares
 - * Employees are profiting by making the company successful as a whole
 - * Many CEOs are incentivized through these
 - Gainsharing: a group pay incentive plan based on productivity over which the workforce has some control (e.g. efficiency, cost reductions)
 - Skill-based pay: a system in which employees are paid according to the number of skills they have acquired
 - * Motivates employees to learn more skills
 - * Easier in e.g. construction, civil engineering
 - * Based on e.g. experience, education, certification
- Job characteristics model: why people choose the professions that they do
 - Core job characteristics: skill variety, task identity, task significance, autonomy, and feedback
 - Critical psychological states: experienced meaningfulness of the work (belongingness and self-actualization), experienced responsibility of the work, and knowledge of the results of the work activities (i.e. my work actually has impact)
 - * Relates to personality, OCEAN model
 - Outcomes: high internal work motivation, high “growth” satisfaction, high general satisfaction and high work effectiveness
 - With moderators: knowledge and skill, growth need strength and “context” satisfactions
- We are more passionate about jobs we find more meaningful

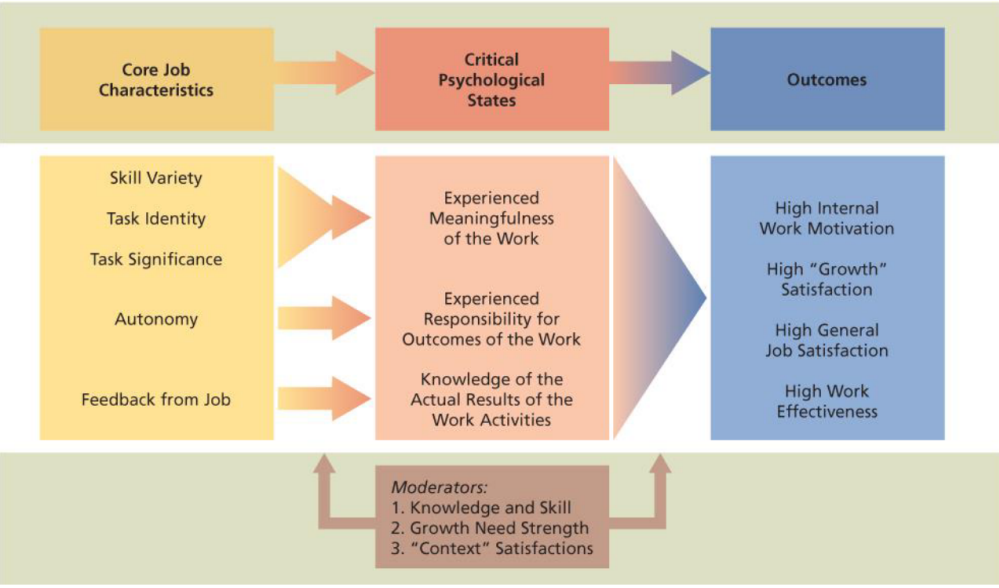


Figure 1: Job characteristics model