



MONETARY AND NON- MONETARY BENEFITS: A Technique to Motivate the Employees

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Abstract

Managers are constantly searching for ways to create a motivational environment where employees to work at their optimal levels to accomplish company objectives. Employee motivation has been broadly defined as the psychological forces that determine the direction of a person's behavior in an organization, a person's level of effort and a person's level of persistence. Employee motivation is the level of energy, commitment, and creativity that a company's workers bring to their jobs. Whether the economy is growing or shrinking, finding ways to motivate employees is always a management concern. Workplace motivators include both monetary and non-monetary incentives. Monetary benefits are where employees receive benefits as money, so special allowances or commissions. However, non monetary benefits are those benefits that do not involve money. Monetary benefits enhance the direct satisfaction of employees and non-monetary rewards are helpful for the recognition of employees and that recognition is a motivational tool for the employees and leads to the work engagement. Most of the research studies have shown consistently that the encouragement and appraisal or reward system for the employees resulted in higher employee retention rates, productivity, and job satisfaction. Monetary and non-monetary incentives vary in their roles, effectiveness, and appropriateness, depending on the type of incentive. A balance between monetary and non-monetary incentives should be used to satisfy the diverse needs and interests of employees. This paper explores the importance of monetary and non-monetary benefits on employee motivation. This paper lists out the various monetary and non-monetary benefits provided to the employees. The paper also assesses the impact of employee benefits on the productivity of the organization.

Key words : *Rewards, Motivation, Employee satisfaction, Recognition*

Introduction:

It is widely accepted by the organizational theorists that manpower is one of the most important assets of an organization because things are getting done through employees. In other words, the success of an organization in realizing its objectives heavily depends on the performance of its employees. Therefore, it is important to focus on the factors affecting the performance of the employees. Performance is considered to be related with the concepts of ability, opportunity and motivation (Ivancevich & Matteson, 1988). Ability is a function

of skills, education, experience and training. Opportunity refers to the infrastructure needed to perform a job. Finally, motivation is the desire to achieve a goal and willingness to exert effort for it. Motivation is something that can lead to better performance when other conditions are met. But, it has an advantage over others in the sense that while the opportunity and ability tend to be stable and difficult to change for the personnel, motivation has flexibility, that is, it can be changed by some means. All organizations, whether public or private,

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need motivated employees to be effective and efficient in their functioning, in addition to the other factors. Employees who are motivated to work energetically and creatively toward the accomplishment of organizational goals are one of the most important inputs to organizational success. Consequently, the challenge for organizations is to ensure that their employees are highly motivated.

Objectives of the study:

- 1) To study the importance of monetary and non-monetary benefits on employee motivation.
- 2) To identify the various monetary and non-monetary benefits provided to the employees.
- 3) To assess the impact of employee motivation on the productivity of the organization.
- 4) To examine the problems associated with monetary and non-monetary incentives.

Methodology of Study:

This paper is based on secondary data which consist of journals, research paper, books and websites.

Meaning:

Rewards are divided by Armstrong (2007) into two groups; these are monetary and non-monetary rewards. The monetary rewards include base pay, merit pay, incentives, commission, bonus and healthy allowances. Non-monetary rewards include recognition, decision making roles, promotion, flexible working hours and company uniforms.

Importance of Monetary and non-monetary Benefits:

Bates (2006) indicates, for money to motivate, merit pay rises must be at least seven percent of base pay for employees to perceive them as motivating and to catch anybody's attention. Recent studies for example by Locke (1998) on the four methods of motivating employees indicated that money rated the second among lower-level employees. Such evidence demonstrates that money may not be the only motivator, but it's difficult to argue that it doesn't motivate. This therefore opens up the debate that non-financial rewards such as

recognition, decision making and job security have a role to play in the internal motivation of employees that monetary rewards cannot address. To assume that financial incentives will always motivate people to perform better is therefore as simplistic as to assume that they never motivate people to perform better. The only issue that is certain about this is that multiplicities of interdependent factors are involved in motivating employees ranging from money to non-monetary.

Another stream of analyses points out that people never rate money as their main motivator, most achievements are reached for reasons other than money, and it is a factor that attracts people but does not play a big role in retaining and motivating. Robert and Shen (1998) point out, salary and other hygiene factors yielded dissatisfaction and only motivators directly influence motivation beyond the psychological neutral level. In a recent survey, by (Ellis and Pennington, 2004) direct financial reward played a critical role in attracting talented employees, but they have only a short term impact on the motivational levels of employees.

Wallace and Zeffane (2001) noted, management depend upon rewards like money as the main factor of motivation because according to Maslow's hierarchy of needs, money is a unique reward that can satisfy different needs such as physiological need for food. In McClelland's acquired needs theory, money is an important source of performance feedback for high-need achievers. Non-monetary rewards on the other hand attract persons with a high need for affiliation through verbal recognition, and high achievers through challenging jobs. Skinner (1953) argued that, the use of rewards in the classic work performance paradigm is based primarily on the reinforcement theory which focuses on the relationship between a target behavior such as high performance and its consequences for example pay. This study was framed from Herzberg's two factor theory and Skinner's Reinforcement

Herzberg (1957) proposed that employees are influenced or driven to work by two factors



(motivators and hygiene factors). Hygiene factors ensure that employees do not become dissatisfied but does not lead to high motivation, but without them; motivators cannot achieve their goal since the employees will be dissatisfied. Hygiene factors involve the process of providing rewards or threats of punishment to cause someone to do something. Salary is one of the hygiene factors hence money does not lead to high levels of motivation but impact on motivation in a way. Motivator factors are needed to drive an employee into higher performance. These factors result from inter-nal generators in employees. As stated in Value based Management (2008) a combination of the two factors results in four scenarios which are important in the relationship between employee motivation and rewards. These include, High hygiene + High motivation= employees highly motivated with few complaints and high performance. High hygiene + low motivation = employees have few complaints but are not highly motivated. Low hygiene +High motivation = employees are motivated but have a lot of complaints, job is exciting and challenging but salaries and work conditions are poor hence motivation keeps on diminishing as a result of complaints. Low hygiene + low motivation = result in unmotivated employees with lots of complaints and consequently performing poorly.

Monetary and Non-Monetary Benefits:

Monetary Benefits:

The purpose of monetary incentives is to reward associates for excellent job performance through money. Monetary incentives include:

- Profit sharing
- Project bonuses
- Stock options and warrants
- Scheduled bonuses
- Additional paid vacation time.

Non-monetary Benefits:

The purpose of non-monetary incentives is to reward associates for excellent job performance through opportunities.

Non-monetary incentives include:

- Flexible work hours
- Training
- Pleasant work environment
- Executive recognition

Incentives Across Generations :

Research suggests that desired monetary incentives differ for associates based on career stage and generation. Surveys by the American Association of Retired Persons (AARP) have shown that most workers will work past retirement age if offered flexible schedules, part-time hours, and temporary employment (Nelson, 1999). The generations covered in the AARP surveys include "Mature Workers" (those born between 1930 and 1945), "Baby Boomers" (those born between 1946 and 1963), "Generation X'ers" (those born between 1964 and 1981), and "Generation Y'ers" (those born after 1982). The information presented in Table 1 lists non-monetary incentives that are important to each generation covered in the surveys (Nelson, 1999).
Table1:Non-monetary incentives that are important to each generation covered in the surveys (Nelson, 1999).

Mature Workers	Baby Boomers	Generation X'ers	Generation Y'ers
Flexible schedules	Retirement planning	Flexible work schedules	Flexible work schedules
Part-time hours	Flexible retirement options	Professional development	Professional development
Temporary hours	Job training	Feedback	Feedback
	Sabbaticals	Tangible rewards	Tangible rewards
		Work environment	Work environment
			Attentive employers

Source: <http://www2.inc.com/search/16431.html> (Nelson, 1999)



Impact of Motivation on Employee Productivity:

Motivated employees are inclined to be more productive than non-motivated employees. Most businesses make some pains to motivate workers but this is normally easier said than done. Employees are all individuals with different likes, dislikes and needs, and different things will motivate each.

1. **Motivated Employees Are More Productive:** If employee will satisfied and happy then he/she will do his /her work in a very impressive way, and then the result will be good, on the other hand motivated employee will motivate other employees in office.
2. **Decision-making and practical Expectations:** It is important to engage employees in the decision making process, but create realistic expectations in the process.
3. **Job Description, Work Environment and Flexibility:** Employee doing the right job for his personality and skill set, and performing well at the job greatly increases employee motivation and satisfaction. A safe and non-threatening work environment is necessary to maintain a high level of employee motivation. Flexible human resource policies, flexible time, work from home, childcare also be liable to have happier and more motivated workers.
4. **Pay and Benefits:** Keeping employees motivated with good benefits is easy, where to draw the line at generous benefits that motivate all employees, versus raises and larger salaries to retain and attract the best workers and keep them happy and motivated to be working for you, are more difficult.
5. **Company Culture:** Creating a positive and employee-friendly company culture is a great motivational tool.

Problems with Monetary and Non Monetary Incentives:

Alfie Kohn (1993) argues that monetary incentives encourage compliance rather than risk-taking

because most rewards are based only on performance. As a result, employees are discouraged from being creative in the workplace. Another argument Kohn presents is that monetary incentives may be used to circumvent problems in the workplace. For example, incentives to boost sales can be used to compensate for poor management. Employers also may use monetary incentives as an extrinsic rather than an intrinsic motivator. In other words, employees are driven to do things just for the monetary reward versus doing something because it is the right thing to do. This can disrupt or terminate good relationships between associates because they are transformed from co-workers to competitors, which can quickly disrupt the workplace environment (Kohn, 1993).

Generational non-monetary incentive differences are affected by career stage and proximity to retirement. The older the associate, the more the focus is placed on retirement or supplementing retirement income with part-time or temporary jobs. The younger the employee, the more the focus is placed on job satisfaction and the work environment. The bottom line is that incentives must be tailored to the needs of the workers rather than using the "one-size-fits-all" approach, which is impersonal and sometimes ineffective.

Recommendations:

In order to create and improve the feelings of employees towards their workplace, their feelings about management needs to be improved. For this following is necessary:

- Developing and improving face-to-face communications with employees and giving them enough information, as well as proving their credibility and improving it through honesty and good morals.
- Showing care for and respect to employees by expressing appreciation and gratitude, creating chances to improve, getting employees involved with solving Organizational problems, being receptive to new ideas, and caring about the Employee's problems.



- Encourage open book managing. Build trust. Show employees that they are worth of it.
- Maintain their dignity & self-respect.
- Ensure that successful performance is recognized

Conclusion:

Monetary and non-monetary incentives vary in their roles, effectiveness, and appropriateness, depending on the type of incentive. Alfie Kohn (1993) argues that incentives actually hamper associates and companies by decreasing associates' motivation, interest, and job satisfaction. This is just the opposite of what incentives were created

to do. Incentives must take into account the workers for whom they were created. A balance between monetary and non-monetary incentives should be used to satisfy the diverse needs and interests of associates. Creating a balance sheet is a simple exercise that can be used for evaluating incentive programs. On one side of the balance sheet list all the incentive programs (both monetary and non-monetary) of your organization. On the other side list all the outcomes (whether desired or not) that can be attributed to these incentives. Areas of improvement would be those outcomes identified as undesirable.

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