

the work foundation



‘Just Give Me the Cash’ -

Do Non-Financial Rewards Really
Motivate as well as Money?

Stephen Bevan
Managing Director
The Work Foundation

Themes

- Challenging conventional wisdom on Pay & Motivation
- Using financial & non-financial rewards in tandem
- Assessing if your non-financial rewards pack a 'punch'
- Seven 'Top Tips' to support Pay and Non-pay rewards

Pay & Motivation – Conventional Wisdom?

Claims made for Pay

- Attraction of staff Moderate support
- Improving quantity Moderate support
- Improving quality Weak support
- Improving attendance Weak support
- Improving retention Weak support
- Improving teamwork Weak support



Challenging Conventional Wisdom

- Motivation is... *'how behaviour gets started, sustained, stopped and what subjective reaction is present while all this is going on'*
- Nobody is agnostic about the link between pay & motivation
- Evidence is patchy & contradictory
- Most analysts agree that pay does motivate, but only weakly relative to other drivers – and that getting it wrong is both easy and damaging



Alfie Kohn

- PRP ***punishes***. A promised reward that is not received is psychologically as bad as a punishment
- PRP ***ruptures relations***. High performance often requires teamwork. This can be damaged in a divisive win:lose climate
- PRP ***ignores reason***. If a company is not performing, to simply offer a financial incentive to bolster performance ignores the many possible root causes. If the only tool in the box is a hammer, then everything gets made to look like a nail
- PRP ***deters risk taking***. When money is at stake, individuals are far more likely to take the easy, tried and tested option which may sub-optimize the desired outcome
- PRP ***undermines interest***. The enjoyment of a task is a far more powerful influence than any incentive can be



CLC Study of 17,000 Employees

- Employee commitment is the central driver of employee performance and that pay satisfaction is a poor predictor of such commitment
- Employee perception of pay fairness was a 25 times stronger predictor of employee commitment than pay satisfaction
- Pay **process** fairness is the most important element of overall pay fairness
- Every 10% improvement in 'process fairness perception' increases employee commitment levels by 5%, leading to a 2% increase in discretionary effort

the work foundation



Using Financial & Non-Financial Rewards in Tandem

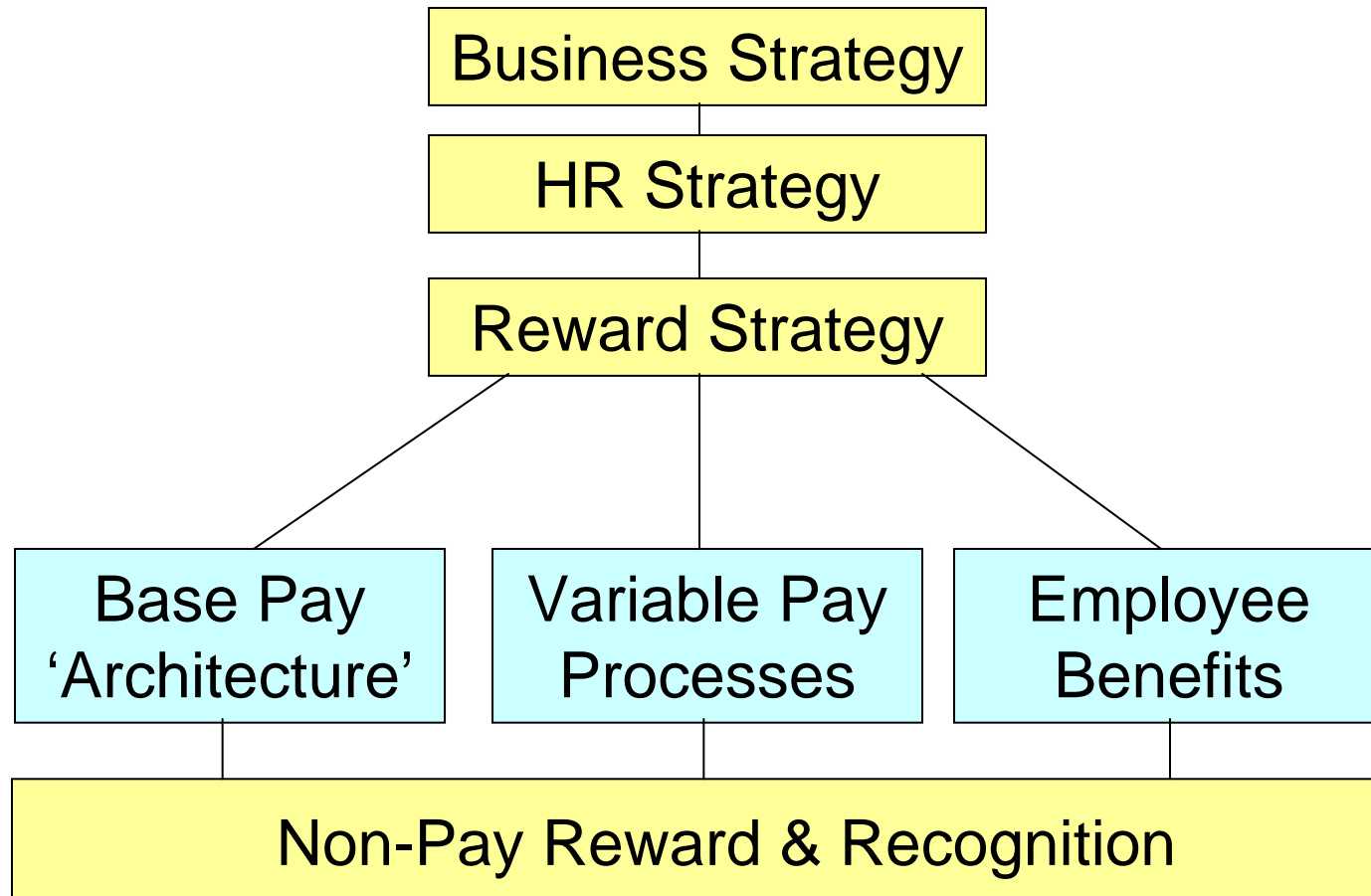
The Mixed Model?

- The difference between a ‘reward’ and an ‘incentive’ is important to clarify...
- ...as is the behaviour or performance being rewarded or incentivised...
- ...and how this will be measured
- It is essential that both managers and employees are clear where both fit in the overall reward ‘strategy’



the work foundation

Positioning Reward Strategy



the work foundation



Non-pay rewards can...

Recognise that motivation is complex and not just about money – other forms of recognition can be more important to the individual

Communicate the organisation's values and performance objectives

Drive and support desired behaviour by indicating what sort of behaviour will be rewarded

Produce significant performance leverage and motivation, often at disproportionately low cost.

Compete in the employment market by offering competitive packages which attract and retain good quality staff

Motivate all members of the organisation from the most junior to the most senior through an appropriate mix and choice of benefits and performance-based rewards that suit the individual

the work foundation

Non-pay rewards & recognition framework

Attribute

Choice

Considerations

Focus

individual or team

Defining teams, equity

Orientation

incentive or reward

Up-front or retrospective?

Payment

cash or non-cash

Propriety, value

Structure

discretionary or formula-driven

Equity, inflexibility

Timing

immediate or deferred

Desired impact

Value

high value or symbolic

What motivates?

Location

department-wide or local

Flexibility, consistency

Nominated by

management or self

Rewards or awards?

Rewarding

effort or outputs

Results or behaviour, equity



the work foundation

Measuring Impact

Impact on What?

- Recruitment, motivation, engagement, retention, innovation, teamwork, equality, performance & productivity?
- A question of attribution
- Evidence of a direct and sizeable causal impact is weak
- Reward can reinforce existing initiatives & practices, but will rarely drive them



the work foundation

Measures

- Vacancy rates
- Employee survey data
- Exit data
- Evaluations of PRP/merit systems
- Equal pay audits

Reward & Recognition - Future Challenges

Future Challenges

- More realism about the motivational impact of rewards
- Investment in capacity-building among line managers
- Non-pay reward & recognition can work, so too can team pay
- Simplicity wins every time
- Let's make reward management is a 'high performance' work practice



the work foundation

Seven Top Tips

- Don't expect too much from Cash alone
- Don't confuse rewards & incentives
- Tailor the mechanism to the audience – involve them
- Don't use non-financial rewards to compensate for poor basic pay
- Keep it simple enough for line managers to understand
- Align your pay with business strategy
- Don't try to 'gold-plate' everything



the work foundation

www.theworkfoundation.com



the work foundation

