

# Non-monetary incentives assignment



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THE USE OF NON-MONETARY INCENTIVES AS A MOTIVATIONAL TOOL: A SURVEY STUDY IN A PUBLIC ORGANIZATION IN TURKEY A THESIS SUBMITTED TO THE GRADUATE SCHOOL OF SOCIAL SCIENCES OF MIDDLE EAST TECHNICAL UNIVERSITY BY N LAY YAVUZ IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE IN POLITICAL SCIENCE & PUBLIC ADMINISTRATION JULY 2004 Approval of the Graduate School of Social Sciences Prof. Dr. Sencer Ayata Director I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science.

Prof. Dr. Feride Acar Head of Department This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality for the degree of Master of Science. Assoc. Prof. Dr. Y? Imaz Ustuner Supervisor Examining Committee Members Prof. Dr. inasi Aksoy (METU, ADM) Assoc. Prof. Dr. Y? Imaz Ustuner (METU, ADM) Assist. Prof. Dr. Ahmet A. Dikmen (Ankara Univ. , SBF) I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct.

I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last name: Signature : Nilay YAVUZ iii ABSTRACT THE USE OF NON-MONETARY INCENTIVES AS A MOTIVATIONAL TOOL: A SURVEY STUDY IN A PUBLIC ORGANIZATION IN TURKEY Yavuz, Nilay MS, Department of Political Science and Public Administration Supervisor: Assoc. Prof. Dr. Y? Imaz Ustuner July 2004, 182 pages

The purpose of this study is to demonstrate to what extent non-monetary incentives are utilized in the public sector of Turkey and whether non-monetary incentives have the potential to increase the motivation of public employees as much as the monetary incentives. Incentive is any means that makes an employee desire to do better, try harder and expend more energy. Non-monetary incentives such as participation in decision making, verbal or written recognition of good work etc. are the kinds of incentives that do not involve direct payment of cash.

To realize the objectives of the thesis, a survey study was administered at the General Directorate of Investment and Enterprises, under the Ministry of Culture and Tourism. According to the results of the study, most of the employees think that the level of utilization of the non-monetary incentives in their organization is inadequate. Also, the findings suggest that they value nonmonetary incentives as much as monetary incentives. Thus, within the limitations of the survey study, it may be concluded that non-monetary incentives have the potential to increase the motivation of personnel in this public organization.

Keywords: Non-monetary Incentives, Motivation, Personnel Administration, Public Organizations. iv OZ MOT VASYON ARACI OLARAK PARASAL OLMAYAN TE V KLER N KULLANIMI: TURK YE'DEK B R KAMU ORGUTUNDE B R ANKET CALI MASI Yavuz, Nilay Yuksek Lisans, Siyaset Bilimi ve Kamu Yonetimi Bolumu Tez Yoneticisi : Docent. Dr. Y? Imaz Ustuner Temmuz 2004, 182 sayfa Bu cal? man? n amac? parasal olmayan te viklerin Turkiye'de kamu sektorunde ne derece uyguland? ? na ? ? k tutmak ve bunlar? n parasal te vikler kadar cal? anlar? n motivasyonunu artt? rma potansiyelleri olup

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Sonuc olarak, bu anket cal? mas? n? n s? n? rlar? icinde soylenebilir ki parasal olmayan te vikler bu kamu orgutundeki cal? anlar? n motivasyonunu artt? rma potansiyeline sahiptir. Anahtar Kelimeler: Parasal Olmayan Te vikler, Motivasyon, Personel Yonetimi, Kamu Orgutleri. v To My Husband M. Metin Yavuz vi ACKNOWLEDGEMENTS The development of this thesis depended on the effort, support and guidance of a number of people whom I should thank. I am grateful to my supervisor Assoc. Prof. Dr. Y? Imaz Ustuner for his guidance and constructive criticisms. I would like to thank the examining committee members Prof. Dr. nasi Aksoy and Assist. Prof. Dr. Ahmet A. Dikmen for their comments and suggestions during the thesis defense. I should thank my parents Ferhan-Nejat Toprak for their continuous support and more importantly for the inspiration they gave to me in formulating this thesis subject. Their experiences in the public service for years helped me a lot in organizing my thoughts. I also appreciate my brother Selim for making jokes to cheer me up whenever I was worried or

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STATEMENT OF THE PROBLEM 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 a flexibility, that is, it can be changed by some means.

Moreover, it is apparent that in the absence of willingness to perform; capacity and opportunity will not generate the desired results. If the situation is to be explained by a proverb; you can take the horse to the water but you cannot make it drink. All organizations, whether public or private, 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. 1 When the issue is motivation, one of the first things that comes to ones mind is the concept of incentive, which refers to any means that makes an employee desire to do better, try harder and expend more energy. With regard to monetary incentives, it can be argued that private organizations have more financial sources to motivate their

employees than the public organizations. It is known that public employees' payment levels in Turkey are generally low compared to private sector employees.

Moreover, while many private organizations have monetary incentives such as bonuses, commissions, cash rewards etc, it is quite challenging for the public sector to provide such incentives in adequate levels in a weak national economy. As a result, it is important to look for any possible alternative means that can be used to motivate employees in the public sector. In line with this purpose, this study focuses on the use of non-monetary incentives as a motivational tool and their effectiveness in the motivation of public sector employees.

Non-monetary or non-cash incentives do not involve direct payment of cash and they can be tangible or intangible. Some examples of this kind of incentives are; encouraging the employees by providing them with autonomy in their job and participation in decision making, assigning challenging duties, improving working conditions, recognizing good work through small gifts, letters of appreciation, plaques, tickets to restaurant etc. , providing some services for the employees, organizing social activities in the work place, etc.

Starting with Elton Mayo and Human Relations School, it is emphasized that the need for recognition, self respect, growth, meaningful work, social activities are as important as monetary incentives in increasing the employees' morale and motivation. There are many contemporary research studies supporting the effectiveness of non-monetary incentives as a

motivating tool in the private sector organizations. However, there is hardly any study regarding its use in public sector organizations. This study will try to shed light on this issue and explore the motivating potential of non-monetary incentives in the public sector of Turkey.

## 1. 2. PURPOSE OF THE STUDY

The present study aims to demonstrate to what extent non-monetary incentives are utilized in the public sector of Turkey and whether they have the potential to motivate public employees as much as monetary incentives. Through a survey study administered at the General Directorate of Investment and Enterprises in Ankara, the following research questions were tried to be addressed:

- 1) What is the degree of utilization of the non-monetary incentives in this public organization, based on the perceptions of public employees?
- 2) To what extent do non-monetary incentives have a motivating potential for the public employees in this organization?
- 3) What does the concept of “ non-monetary incentive” mean to the public employees?
- 4) What are the most important job factors that contribute to the employees’ willingness to exert more effort in their jobs?
- 5) Is there a significant difference between the average rankings of these job factors based on position in the organization and job tenure?
- 6) What is the type of incentive that the public employees in this organization value most?
- 7) Which type of non-monetary incentive do the public employees value most?
- 8) How do public employees perceive the effectiveness of non-monetary incentives in the absence of monetary incentives?
- 9) Is there a statistically significant difference between the subordinates and superiors with regard to their incentive preferences in the public sector?
- 10) Is there a statistically significant difference between employees’ incentive preferences based on job tenure?

The following hypotheses are formulated to address some of the

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research questions: 3 Hypothesis H01 (null): There is no statistically significant difference between the superiors' and subordinates' average ranking of any of the job factors contributing to their willingness to exert more effort in their jobs. Hypothesis HA1 (alternate): There is a statistically significant difference between the superiors' and subordinates' average ranking of any of the job factors contributing to their willingness to exert more effort in their jobs.

Hypothesis H02 (null): There is no statistically significant difference between the employees' average ranking of any of the job factors contributing to their willingness to exert more effort in their jobs, based on job tenure. Hypothesis HA2 (alternate): There is a statistically significant difference between the employees' average ranking of any of the job factors contributing to their willingness to exert more effort in their jobs, based on job tenure. Hypothesis H03 (null): The superiors' and subordinates' responses to Q-28 (which of the following incentives would increase your interest in the job the most? do not differ significantly when evaluated in terms of two general incentive categories being non-monetary and monetary. Hypothesis HA3 (Alternate): The superiors' and subordinates' responses to Q-28 (which of the following incentives would increase your interest in the job the most? ) differ significantly when evaluated in terms of two general incentive categories being non-monetary and monetary. Hypothesis H04 (Null): The employees' incentive preferences among two basic incentive categories (monetary and non-monetary) do not differ significantly based on job tenure. Hypothesis HA4 (Alternate) 4

The employees' incentive preferences among two basic incentive categories (monetary and non-monetary) differ significantly based on job tenure. 1. 3.

**ASSUMPTIONS AND LIMITATIONS OF THE STUDY** The following conditions were assumed to be true: The population was of adequate size to provide valid and comprehensive questionnaire responses. The employees surveyed in the study completed the questionnaire accurately and honestly. The 5-point Likert scale questions in the survey measure the degree of utilization of social non-monetary and job-related non-monetary incentives in the organization.

A limitation inherent in this type of research may be that it is not possible to determine mathematically whether the conclusions of the research can be generalized to other public organizations. It would be problematic to make generalizations based on the limitations of the survey. However, the study may be expected to be relevant for illustrating the current condition of public organizations in Turkey in terms of the utilization and effectiveness of non-monetary incentives. The General Directorate of Investment and Enterprises is one of the nine main service units in the Ministry of Culture and Tourism.

It consists of seven different departments with employees of several different job titles. From this aspect, it may be expected to provide variation especially in terms of perceptions of employees regarding the utilization of social and job-related non-monetary incentives in the workplace and their incentive preferences. Moreover, like most of the public employees in Turkey, most of the employees in this study population can be assumed to have job security and lower levels of satisfaction with their wages which are expected to affect their incentive preferences in a similar way.

Thus, it may be argued that the study helps to understand the situation of public organizations in Turkey with regard to non-monetary incentives. 5 1.

4. SIGNIFICANCE OF THE STUDY Starting with the Classical Theory, many previous studies have considered the relationship between monetary incentives and employee motivation. Still, the consideration of money as the basic motivating force and its superiority over any non-monetary incentive secures its place on the organizational scholars' agenda. On the other hand, there is a growing interest and attention on the use of nonmonetary incentives.

Especially in private sector organizations, it starts to be pronounced louder and there is a wide literature on their incredible influence in obtaining highly motivated employees. Despite the overwhelming research on the effects of non-monetary incentives in private organizations, few researchers have investigated the case for public organizations. Particularly in Turkey, the literature on the motivation of public employees as well as the effects of incentives is quite inadequate. There is hardly any research on these topics.

Thus, the significance of this study is that it sheds light on what kinds of incentives the public employees in Turkey value most and it tries to explore the attitudes of employees towards nonmonetary incentives. This study is also significant because it focuses on how to motivate public employees in a weak national economy and where there is no incentive to drive them to do more than what is expected. In terms of pay, there is almost nothing to drive public employees to be more motivated, not only because in public sector there are relatively lower pays, but also pay is not a function of performance.

That is, there is no performance related pay in public sector such as cash bonus, commission, monetary reward etc. except for some extreme cases. So, this study will contribute to exploration of alternative ways in answering the question of how to motivate public employees where there is a weak national economy and there is no performance related pay. Non-monetary incentives offer many advantages to public organizations. They have the potential to satisfy employee needs and motivate them without necessitating significant amounts of the use of public financial sources.

They are much easier to administer than monetary incentives. Although to some extent, establishing performance standards is also necessary for awarding some of the non-monetary incentives, this is much easier to determine than the case for monetary incentives. It is so because one of the objectives of offering nonmonetary incentives is to encourage any single behavior that is beyond expectations, regardless of whether the behavior is extraordinary or not.

The use of non-monetary incentives creates a valuable opportunity to provide immediate recognition to the employees who perform above expectations or to reinforce any single behavior that contributes to the organizational objectives. In addition to these, the variety of non-monetary incentives addresses many different needs of employees such as social interaction, belongingness, recognition, respect, attention, a feeling of achievement, autonomy, a meaningful job, a feeling of selfworth, developing one's full potential, feedback about performance etc.

All these factors suggest that non-monetary incentives may be a valuable source of motivation for the public organizations to utilize. However, in determining their degree of effectiveness, public employees' reward preferences are also a concern. Any incentive system is more likely to be successful if it matches what the employees value. This study is also important as it is relevant for understanding the public employees' incentive preferences. To conclude, the results of the study may be helpful for exploring the utilization and motivational potential of the non-monetary incentives in the public sector of Turkey. . 5. ORGANIZATION OF THE STUDY

This study is presented in seven chapters. Chapter I, Introduction, consists of the statement of the problem, purpose of the study including research questions and research hypotheses, assumptions, limitations and the significance of the study. Chapter II, Theoretical Framework, presents basic concepts and motivation theories. Chapter III, A General Discussion on the Use of Non-monetary Incentives as a Motivational Tool, describes types of non-monetary incentives and their importance in the motivation of employees.

Chapter IV, The Issue of Motivation in Public Sector, presents the use of incentives as motivational tool in 7 the public sector of Turkey and discussions on the use of non-monetary incentives in the public sector.

Chapter V, Methodology describes data collection, survey design, study population, reliability, research hypotheses and data analysis. Chapter VI, Survey Results and Presentation of Findings, presents the statistical analysis of the data. Chapter VII, Summary and Conclusions, includes a summary of



the thesis, interpretation of the findings, conclusions, and recommendations for future research.

Relevant references and appendices are also presented at the end of the thesis.

## 8 CHAPTER 2 THEORETICAL FRAMEWORK

### 2. 1. BASIC CONCEPTS

#### 2. 1. 1. INCENTIVES, REWARDS AND RECOGNITION

The concepts of “ incentive”, “ reward” and “ recognition” are quite interrelated and complementary in the context of employee motivation. It is difficult to draw a line among them. The broadest category is the “ incentive” which refers to any means that makes an employee desire to do better, try harder and expend more energy. It may be divided into two categories: monetary incentives and non-monetary incentives.

Monetary incentives involve granting of reward in terms of money such as commissions, bonuses etc. Non-monetary or non-cash incentives do not involve direct payment of cash and they can be tangible or intangible. Some examples of this kind of incentives are; encouraging the employees by providing them with autonomy in their job and participation in decision making, assigning challenging duties, improving working conditions, recognizing good work through small gifts, letters of appreciation, plaques, tickets to restaurant etc. , providing some services for the employees, organizing social activities in the work place, etc.

The difference between an incentive and reward may be noted as while incentive aims to motivate future and encourage certain behavior, reward is the appreciation for the accomplished behavior and it is a potential reinforcer. Recognition covers monetary and non-monetary rewards and it

refers to crediting, encouraging and appreciating individuals and teams who contribute, through their behavior and their efforts, to the success of the organization. It provides after-the-fact reinforcement for specific types of performance or accomplishments and emphasizes what the organization values.

Moreover, it helps to create a sense of being a valued member of a successful organization. Examples of recognition are giving public praise, granting monetary and non-monetary rewards, celebrating and communicating successes etc. As in the final analysis both rewards and recognition are the means to induce action, they can be analyzed under the broad category of “incentives”. Consequently, through out this study, the word “incentive” is used to refer to anything that motivates employees, covering reward and recognition concepts.

A major discussing point for this topic would be “Do public organizations really need incentives, besides providing compensation and entitlements to the public employees?” Compensation is the monetary benefits provided to employees in return for the work they do as part of their job definition. Entitlements are the fringe benefits like paid vacation, health insurance, retirement benefits etc. When we look at the case of public employees in Turkey, their compensation levels are lower comparable to private sector in most of the occupations. On the other hand, public employees enjoy job security and fringe benefits.

In public sector, there is no correlation between the performance level of employees and the amount of monetary compensation or fringe benefits

they get. In other words, in return for monetary compensation and fringe benefits, what is expected from public employees is just realizing the requirements of their job definition daily, nothing more. In fact, as public employees are guaranteed with wage / salary and fringe benefits regardless of their performance, it may even lead them to be less motivated to do their best. Conversely, in the private sector, if an employee fails to exert much effort in his/her job; he/she may lose the job.

Given their job security, what can drive public employees to do more than what is expected from them? The topic of incentives will come up at this point. They help to encourage specific behaviors or goals that are not supported by the existing compensation. These behaviors or goals can be reducing the operating costs, solving a particular operational problem, making useful suggestions, improving citizens' satisfaction, preventing a major damage, helping the peers, complying with the rules and regulations of conduct in the work environment etc.

Thus, it is important particularly for the public sector that, some kind of incentive mechanism exists to promote employees to contribute more, to do more than what is expected from them. As it will be discussed in the following chapters, this study proposes that non-monetary incentives can be an appropriate tool to motivate employees in the public sector and they may be as effective as monetary incentives.

## 2. 1. 2. MOTIVATION

The term “motivation” is derived from the word “motive” which means a reason for action. A vast array of literature exists examining the concept of motivation within organizations.

The term has been used to mean “...the contemporary (immediate) influences on the direction, vigor and persistence of action” (Atkinson, 1964), “...how behavior gets started, is energized, is sustained, is directed, is stopped, and what kind of subjective reaction is present in the organism while all this is going on. ” (Jones, 1955), “...a process governing choices made by persons or lower organisms among alternative forms of voluntary activity. ” (Vroom, 1964), “...psychological processes that cause the arousal, direction, and persistence of voluntary actions that are goal directed. (Mitchell, 1982), “...a set of processes concerned with the force that energizes behavior and directs it toward attaining some goal. ” (Baron, 1983), “...an internal drive to satisfy an unsatisfied need” (Higgins, 1994). All these different definitions offer some implications about human behavior. First, there are some drives (needs) that make individuals behave in certain ways, and second, individual behavior is goal oriented. Motivation is a continuous process which starts with needs, continues with goal-oriented behavior and ends with the satisfaction of needs.

While a general definition for motivation can be given as “ the degree to which an individual wants and chooses to engage in certain specified behaviors”; motivation in the work place refers to “ the degree to which an individual wants and tries hard to do well at a particular task or job” (Mitchell, 1982). Motivation of employees is a focus of attention because it may be a means to reduce and manipulate the gap between employees’ actual and desired state of commitment to the organization and to inspire people to work both individually and in groups.

The 11 challenge for the organization is to find out what its employees' values and goals are and where they overlap with the organization's. Factors affecting motivation in an organizational setting can be classified into three levels as shown in Table 2. 1 (Steers and Porter, 1987). Table 2. 1 Variables Affecting the Motivational Process in Organizational Settings

I- Individual Characteristics

- 1- Interests
- 2- Attitudes e. g. • • • Toward self Toward job Toward aspects of the work situation
- 3- Needs e. g. • • Security Social Achievement •

II- Job Characteristics

Types of intrinsic rewards Degree of autonomy Amount of direct performance feedback Degree of variety in tasks

III- Work Environment Characteristics

- 1- Immediate work environment • • • • • Peers Supervisor(s) Reward practices System wide rewards Individual rewards Organizational climate
- 2- Organizational actions

Source: Steers and Porter 1987, p. 28. As it is seen in the table, first, there are variables related with the uniqueness of individual (e. g. attitudes, interests, needs etc). Second, there are variables originating from the nature of the job (e. . autonomy, level of responsibility in the job etc). Third, there are some impacts from the work environment (e. g. peer group relations, supervisory practices, salary and reward systems, openness of communication etc). 12 If motivation is to be affected, one or more of these variables must be changed. As one of the objectives of this thesis study is to analyze whether nonmonetary incentives can be an effective tool in motivating the public employees, first it is necessary to have a look at each of these variables affecting motivational process.

It is important to consider the role of individual characteristics because different individual needs and interests have to be compromised with the

organizations'. People are motivated by unmet needs and these varies from person to person according to their particular circumstances, values and beliefs, family, education, personality, and work experience etc. While some individuals may value a job with more creativity over a high-salaried job, others may seek to work more to earn more money.

These demonstrate that differences in individuals can affect their work behaviors. Variables originating from the nature of the job affect motivation in the sense that job related characteristics such as increased autonomy, the significance of the tasks, variety of activities and teamwork may result in improved motivation for some individuals. But here, it is important to consider the influence of individual characteristics at the same time, since everyone does not want -to the same degree- to have an enriched job, nor perform better when assigned to such a job.

As a third level of influence, work environment is important for motivation regarding the quality of peer-group interactions, leadership styles and salary and reward systems. As shown in Hawthorne studies (Roethlisberger & Dickson, 1939) peer-group influence can affect an employee's effort. In addition to this, supervisors can have a considerable influence in the motivational process. They have role in the structuring of work activities and the ability and freedom of employees to pursue their own personal goals on the job.

Supervisors can provide feedback about the employees' performance, as well as letting them to participate in the decision making process by asking their ideas. The nature of relationship between the superior and

subordinates, effectiveness of communication among them also affects the motivational process. Finally, as part of the work environment, the existence and the degree of utilization of recognition systems can also affect how employees behave at work. To sum up, there are many variables affecting the motivational process which are integrated and complementary to each other.

Any incentive program referring to the question of how to increase employee motivation focuses on one or more of these variables. Non-monetary incentives have the benefit of addressing most of these variables affecting motivation. In other words, as the types of non-monetary incentives (explained in Chapter 3, pages 43-67) that can be offered in a public organization are numerous, they provide the opportunity to motivate employees in a variety of ways in contrast to monetary incentives.

For example, first variable that was mentioned as affecting motivation is related with individuals' different interests and needs. Individuals also have different preferences in terms of how to be recognized for the work they do. Nonmonetary incentives can take the form of improving working conditions, recognizing good work through small gifts, letters of appreciation, plaques, tickets to restaurant etc. , providing some services for the employees, organizing social activities in the work place, assigning challenging duties etc.

Consequently, the use of non-monetary incentives may provide this variety to meet different individual needs and interests. Second, some non-monetary incentives are related with the characteristics of the job such as

encouraging the employees by providing them with autonomy in their job, assigning challenging duties, variety of tasks, giving more responsibility etc. In this sense they also utilize job-related factors affecting motivation. Third, non-monetary incentives contain elements from the work environment such as consideration of group interactions and leadership styles etc. Providing feedback, appreciating the good work, asking their ideas, greeting the employees are some of the non-monetary incentives that fall under the title of work environment characteristics affecting motivation. To conclude, non-monetary incentives are expected to be effective in motivating the public employees, given their variety in addressing factors affecting motivation. 14

2. 1. 3. INTRINSIC AND EXTRINSIC MOTIVATION Motivation in work is often described as being “intrinsic” or “extrinsic” in nature (Sansone & Harackiewicz, 2000).

Thus, it is possible to argue that the variables affecting motivation have intrinsic and extrinsic motivational effects. As the question of how to increase employee motivation focuses on one or more of those variables mentioned above affecting motivation, we can also conclude that any incentive tool, whether it is monetary or non-monetary, is designed to provide extrinsic or intrinsic motivation or both. In the psychology literature, intrinsically motivated behavior is stated to arise from innate psychological needs, such as needs for competence and autonomy (Deci & Ryan, 1985; Kasser & Ryan, 1996).

Intrinsic motivation means a self-generated urge that comes from inside a person and influences him/her to behave in a particular way or to move in a particular direction. They are connected to job related and social incentives

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such as opportunity to use one's ability, s interesting work, recognition of a good performance, development opportunities, a sense of challenge and achievement, participation in decision making, and being treated in a caring and thoughtful manner etc.

For example an employee may be willing to put forth a sustained effort by working extra hours because of the feeling that the project he/she is working on is challenging and worth to complete it at once to see the output. In this situation, the individual takes action because the likely outcome of that action appeals directly to what he/she values. The intrinsic motivators are likely to have a deeper and long-term effect because they are inherent in individuals. These kinds of incentives are largely a result of the worker's satisfaction with his or her job.

To sum up, intrinsic motivation s originating from within the person or from the activity itself, affects behavior, performance, and well-being positively (Ryan & Deci, 2000). On the other hand, extrinsic motivation is said to exist when behavior is performed to attain externally administered incentives. Extrinsic motivation is related to “tangible” incentives such as wages and salaries, fringe benefits, cash bonuses, security, promotion, wall plaques, free dinner or movie tickets etc.

For 15 example, an employee may be motivated to come to work on time everyday with the desire to gain the monetary reward awarded for perfect on-time attendance for a month. The problem with extrinsic motivation is that it rarely has any useful longterm effect. The use of extrinsic motivators to energize the employees may lead to a situation where those reinforcers -

particularly monetary ones- must get bigger and better all of the time just to repeat the same results (McCann, 2000).

Luthans and Kreitner (1975) uses the term “ contrived rewards” to refer to incentives that may generate extrinsic motivation, and “ natural rewards” to refer to intrinsic motivators. According to them, although contrived rewards can be positive reinforcers, they have some drawbacks. First, they generally involve costs for the organization. Second, they tend to lead to satiation rather quickly. An employee can be motivated by an extrinsic incentive only so long before he/she becomes satiated, that is, people may get tired of most contrived rewards such as receiving a wall plaque each time.

On the other hand, Luthans and Kreitner (1975) note that incentives that exist in the natural occurrence of events (natural or intrinsic incentives) such as challenging task assignments, autonomy, time off, recognition, friendly greetings etc. are of much more value than the contrived rewards. In contrast to extrinsic rewards, they do not generally lead to satiation. It is not common that people get tired of appreciation and attention.

Another advantage of intrinsic rewards is that while it is difficult for supervisors to give out extrinsic rewards frequently, they can easily provide intrinsic motivation for employees by recognizing their efforts and addressing their social needs in the work place. To conclude, although their effectiveness may depend on the situation, intrinsic and extrinsic incentives are two important tools in ensuring motivation in the work place. After these explanations, it is possible to argue that non-monetary incentives as a motivational tool address both intrinsic and extrinsic motivation concepts.

While monetary incentives may only be classified as a factor leading to extrinsic motivation, non-monetary incentives with its diversity can motivate 16 employees both intrinsically and extrinsically. For example, tangible nonmonetary incentives such as small gifts, free food or drink, internet access, tickets to movie/theatre/sports facilities etc. or social non-monetary incentives such as company picnics, after-work parties, friendly greetings by the supervisor, recognition of a good job, feedback about performance etc. may have extrinsic motivational powers. On the other hand, job-related non-monetary incentives such as meaningful work, variety of tasks, more responsibility, teamwork opportunities, training programs, participation in decision making, flexible working hours etc. may motivate employees intrinsically. In other words, they help to produce selfgenerated motivation. Thus, non-monetary incentives provide multi-dimensional employee motivation in the work place, in contrast to the single dimension of monetary incentives. 2. 2.

**REVIEW OF THEORIES OF MOTIVATION RELATED WITH NONMONETARY INCENTIVES** Each person is motivated by different things and it is important to know how they are motivated in order to direct motivation towards the realization of organizational goals. Reviewing the theories of motivation helps us to understand what drives people to initiate action and to engage in certain practices in the workplace. After elaborating on each of these processes, it would be possible to comment on the effectiveness of non-monetary incentives as a motivational tool.

There are several theories of motivation which focus on different variables in an attempt to explain motivation in the organizational setting. Each of these <https://assignbuster.com/non-monetary-incentives-assignment/>

theories offers perspectives that are not necessarily contradictory but complementary. They are generally studied under three categories: content theories, process theories and reinforcement theory (Samson and Daft, 2002). Content theories focus on the analysis of underlying human needs. They provide insight into the needs that motivate people in organizations.

People have different needs such as money, interesting work, social life, family life, achievement or recognition for a good job etc. These needs convert into an internal drive that motivates specific behavior in an effort to fulfill the needs. It is important to know what employees need in order to evaluate the potential effectiveness of an incentive system. For example, if an employee in a work place needs the supervisor's appreciation for his/her contribution, or a challenging job with variety of tasks more than a salary increase, he/she won't probably be motivated enough with a monetary incentive.

Or one can imagine the situation of a public employee in Turkey who would like to spend that evening celebrating his daughter's birthday at home, however, was asked to work three extra hours in the evening at work. In return, he would be paid 650.000TL per each extra hour he would work, according to 2004 Budget Law (Hurriyet, 2003). In such a case, it is questionable whether the employee would really be motivated to work overtime in return for a monetary compensation. On the other hand, a tangible non-monetary incentive such as two tickets to an amusement park might work better for a father in that situation.

To conclude, the needs of employees will shape the effectiveness of incentives in the motivation of employees. This thesis study tries to shed light on whether the needs of public employees match with non-monetary incentives. If they are likely to match, then, it may be expected that they can reinforce employees for directing energies and priorities towards attainment of organizational goals. As it is discussed in later sections, non-monetary incentives have the potential to meet diversity of needs, particularly the needs that monetary incentives cannot satisfy.

Process theories deal with the thought processes that influence individuals' behavior. Individuals assess their interactions with their work environment and process theories of motivation consider what people are thinking about when they decide whether or not to exert effort into a particular activity. They also concern how employees seek rewards in work circumstances, how they select behaviors with which to meet their needs and determine whether their choices were successful.

Reinforcement theory, on the other hand, concern the process employees learn the desired work behavior. The reinforcement approach to employee motivation ignores the issues of employee needs and thinking processes described in the content and process theories. Reinforcement theory merely looks at the relationship between behavior and its consequences. It concentrates on how to change or modify the employees' behavior in the work environment through the use of instant rewards and punishments.

In line with the purposes of this thesis study, the following theories of motivation concerning non-monetary incentives are analyzed in the above

sections: hierarchy of needs theory, ERG theory, motivation-hygiene theory, McClelland's theory of needs as the content theories of motivation; job characteristics theory, expectancy / valence theory, equity theory and goal-setting theory as the process theories of motivation. Following these, reinforcement theory of motivation is analyzed. Each section provides a brief discussion on how nonmonetary incentives might be incorporated into these theories of motivation. 2. 2. 1.

**HIERARCHY OF NEEDS THEORY** One of the first theories that describe behavior as being directed toward the satisfaction of human needs is the hierarchy of needs theory by Abraham Maslow. His theory is a theoretical foundation for many of need based approaches to motivation. According to Maslow (1943), people are motivated to satisfy their needs and those needs can be classified into the following five categories that are in an ascending hierarchy: Physiological needs, security needs, social needs, esteem and self-actualization needs. The first three are characterized as lower level needs while the last two are higher order needs.

Physiological needs are the basic biological needs like air, water, food and shelter. In the organizational setting, these are reflected in the needs for adequate heat, air and a base salary to guarantee survival. Safety needs are the needs for security and protection from danger. In an organizational workplace, safety needs refers to the needs for safe jobs, fringe benefits and job security. 19 Social needs are the needs for interaction with other people, belongingness, love etc. These needs reflect the desire to be accepted by one's peers, have friendships, be part of a group and be loved.

In the work environment, these needs affect the desire for good relationships with co-workers, participation in a work group and a positive relationship with supervisors. Esteem is the desire for respect, which is affected by the person's standing reputation, his need for attention, recognition, achievement and appreciation etc. Maslow illustrated two versions of esteem needs, a lower one and a higher one. The lower one is the need for the respect of others, the need for status, recognition, attention, reputation, appreciation, dignity etc.

The higher form involves the need for self-respect, including such feelings as confidence, competence, achievement, mastery, independence, and freedom. Within organizations, esteem needs reflect a motivation for recognition, an increase in responsibility, high status and appreciation for contributions to the organization. Self-actualization refers to the desire for self-fulfillment; it is a drive for individuals for self-development, creativity and job satisfaction. They are related to developing one's full potential, increasing one's competence and becoming a better person.

Providing people with opportunities to grow, to be creative, and to offer training for advancement are the means that self-actualization needs can be met with in the organization. Maslow argued that as each lower level need is substantially satisfied, individuals are motivated by the next higher level need. That is, the needs are satisfied in sequence. According to Maslow's argument, a person desiring job security would dedicate his or her efforts to ensure it and would not be concerned with seeking recognition. Maslow also claimed that higher levels of satisfaction for a particular need decrease its potential as a motivator.

There are some criticisms to Maslow's hierarchy of needs theory. One main criticism is that there is little empirical evidence to support Maslow's assumptions (Drenth, Thierry & Willems, 1984). Second, his methodology was problematic (Boeree, 1998). Maslow's methodology was that he picked a small number of people that he himself declared self-actualizing such as Abraham Lincoln, Thomas Jefferson, Albert Einstein, then he looked at their biographies, writings, the acts and words of those he knew personally, and so on.

From these sources, he developed a list of qualities that seemed characteristic of these people and reached conclusions about what self-actualization is. Third, Maslow assumes that human beings will move up the hierarchy, satisfying one need before moving on. But, there are many examples that refute this thought. Many of the best artists and authors, which can be thought of as self-actualized, suffered from poverty, bad upbringing, neuroses, and depression (Boeree, 1998). That is, they were far from having their lower needs taken care of.

For example Van Gogh and Galileo suffered from mental illness, and yet were able to produce works that made a difference. To conclude, in spite of the criticisms, Maslow's work is important in terms of recognizing the needs being pursued by employees and shedding some light on the social and psychological needs of individuals in addition to material needs. With the higher order needs of esteem and self-actualization, Maslow emphasizes the importance of non-monetary incentives in motivating the people. Non-monetary incentives address these higher order needs, rather than any basic needs such as food and shelter.



If it is awarded as an appreciation of a contribution, a tangible non-monetary incentive will remind the employees of their performance and recognition for it, filling the needs for self-esteem and it will create esteem in the eyes of co-workers, family, and friends. It will satisfy employees' recognition and respect needs. On the other hand, as it is mentioned in the section discussing benefits of non-monetary incentives over cash, it is not easy to brag about the cash incentives, which leads to a potential decrease in its power to serve esteem needs.

Also, social non-monetary incentives such as a verbal recognition by supervisors or letter of appreciation to the employees contribute their self-esteem, while social activities such as after-work parties, company picnics, sports activities etc. satisfy the belongingness and friendship needs of employees. Job-related non-monetary incentives work on the self-actualization needs of employees. Providing employees with opportunities to grow like training 21 programs, letting them to be creative in their jobs, giving them more responsibility and autonomy helps employees' self-fulfillment.

The implication of Maslow's theory is that non-monetary incentives can be most effective on employees who are meeting their basic needs and satisfaction of basic needs is not alone enough to motivate employees. In light of this, nonmonetary incentives have an important place in satisfying other needs of employees which cannot be met by compensation. Within the limitations of the scope of the survey study, the present study will also help to understand whether public employees in Turkey have moved beyond the

basic physiological and security needs as primary motivators. 2. 2. 2. ERG THEORY Clayton P.

Alderfer (1972) reformulated Maslow's theory and he proposed that there are three basic needs: Existence (nutritional and material requirements like pay and conditions. ), Relatedness (need for meaningful social relations, relationships with family and friends and at work with colleagues) and Growth (need for developing one's potential, the desire for personal growth and increased competence). The ERG model and Maslow's theory are similar. His theory is a simplified form of Maslow's hierarch of needs theory but he added that all these basic needs can motivate behavior at the same time and might not be activated in any hierarchical order.

That is, any one need may take precedence over others regardless of whether the others are fulfilled or not. This implies that some individuals may prefer to have non-monetary incentives in an organization such as training programs, social activities, public praise etc. rather than having monetary incentives in the first place. Moreover, contrary to Maslow who argued that when satisfied a need becomes less important to an individual, according to Alderfer, that relatedness or growth needs become more important when satisfied.

This means that team - working arrangements can continue to motivate employees and are not necessarily superseded by growth needs. 22 Alderfer proposed that the hierarchy among these needs is more complex due to the frustration-regression principle (Samson and Daft, 2002). It means that failure to meet a high-order need may activate a regression to an already

fulfilled lower-order need. For example, an employee who is not appreciated for doing a good job at work may not be realizing his self-esteem need. Then, this need may revert to a lower-order need and he may redirect his or her efforts towards making a lot of money.

Like Maslow's hierarchy of needs theory, Alderfer's theory points out the need for organizations to find ways to satisfy belongingness needs of employees through social activities in organization, to recognize employees, encourage their participation in decision making, offer opportunities of development and autonomy in job. To conclude, ERG theory also supports the idea that non-monetary incentives are necessary in the motivation of employees.

### 2. 2. 3. MCCLELLAND'S ACQUIRED NEEDS THEORY

McClelland (1975) suggests that some needs that individual's have are acquired during the individual's lifetime.

That is, people may learn them through life experiences rather than being born with these needs. Thus, they differ from individual and individual. He identifies three needs important in the work place leading motivation, regardless of culture or gender: need for achievement, need for affiliation, and need for power. McClelland noted that early life practices determine whether people gain these needs. If children are promoted to do things for themselves and receive support, they will acquire a need to achieve, if they are reinforced for having strong human relationships, they will develop a need for affiliation.

If they get happiness from controlling others, they will acquire a need for power. According to his theory, achievement motivated people strive to

attain challenging goals. They prefer tasks that enable them to use their skills and initiation in problem solving and enjoy doing something not done before. They like to get immediate feedback on how they have done so that they can enjoy the experience of making progress toward objectives. People with a high need for achievement tend to be entrepreneurs.

People with a high need for affiliation like joining groups, participating in pleasant social activities and they obtain great satisfaction from being accepted by others. These individuals prefer to work in an environment that provides significant personal interaction and it is likely that they appreciate social incentives. They are able to establish good working relationships with other employees. The need for power may be classified as “personalized power” or “socialized power” (McClelland, 1975). Power motivated individuals like to influence and direct others. They want loyalty to their leadership rather than to the organization.

When the leader leaves the organization there is likely disorder and decrease of team morale and direction. Socialized power need is usually referred as effective leadership. These leaders use their power in a way that benefits others and the organization rather than only contributing to the leader's status and gain. They seek power to make sure that tasks are accomplished and to empower others who further the leader's vision for the organization. A high need for power often is correlated with successful attainment of top levels in the organizational hierarchy (Samson and Daft, 2002).

This is due to the fact that while achievement needs can be met through the task itself, power needs can be met only by ascending to a level at which a person has power over others. Acquired needs theory implies that the same set of circumstances in a work environment may cause employees to react in different ways as they have different needs. Thus, employees can be motivated differently in the workplace. For example power motivated individuals can be granted the opportunity to manage others, growth opportunities or greater autonomy in their jobs, which are job-related non-monetary incentives.

People with high need for achievement may be motivated by other job-related non-monetary incentives such as assigning challenging tasks with reachable goals or giving frequent feedback. People with affiliation needs may be more willing to work in a team environment, or may be satisfied with social activities in the organization which can be provided by social non-monetary incentives. To conclude, non-monetary incentives may also be effective in meeting power, achievement and affiliation needs of individuals proposed by McClelland. 2. 2. 4.

**MOTIVATION-HYGIENE THEORY** Frederick Herzberg studied the factors in the work environment that caused satisfaction and dissatisfaction among the workers. He interviewed hundreds of workers about times when they were highly motivated to work and other times when they were dissatisfied and unmotivated at work. He found that the factors causing job satisfaction were different from those causing job dissatisfaction and they can not be treated as opposites of one another (Herzberg, 1966). Herzberg argued that two

entirely separate dimensions contribute to an employee's behavior at work: hygiene factors and motivators.

Hygiene factors refer to the presence or absence of job dissatisfiers. When hygiene factors are reduced, work is dissatisfying. They are considered maintenance factors that are necessary to avoid dissatisfaction but they do not themselves contribute to the job satisfaction and motivation of personnel. That is, they only maintain employees in the job. In line with Herzberg's view, unsafe working conditions or a noisy work environment will cause employees to be dissatisfied with their job but their removal will not lead to a high level of motivation and satisfaction.

Some other examples of hygiene factors are salary, status, security, supervision, company policy etc. On the other hand, motivators, leading to job satisfaction, are associated with the nature of the work itself. They are those job-related practices such as assignment of challenging jobs, achievement, work itself, recognition, responsibility, advancement and opportunities for growth in the job etc. Herzberg argued that when motivators are absent, workers are neutral towards work, but when motivators are present, workers are highly motivated to excel at their work.

In contrast, hygiene factors can only work to prevent job dissatisfaction. Thus, 25 hygiene factors and motivators represent two distinct factors (Samson and Daft, 2002). Based on the arguments of the theory, adequate hygiene factors should be provided to meet the basic needs of employees and to prevent dissatisfaction with the job. In addition to this, motivators that are intrinsic to the work itself should be integrated to the process to meet

higher-level needs and drive employees towards greater achievement and satisfaction. Herzberg (1971, pp. 3) stated that “... the factors which make people happy all are related to what people did: the job content... what made people unhappy was related to the situation in which they did their job: job environment, job context...” According to him, employees are satisfied with a work that is interesting and challenging and they will be motivated to do work that they identify to be important. Thus, it is possible to motivate employees with the work itself. In fact, Herzberg emphasizes that true motivation comes from within a person, that is, intrinsically, not extrinsically.

In line with this view he suggested that jobs can be redesigned and enriched to integrate “motivators” to the job, so that employees will be willing to exert effort in their work. He argued that jobs should have adequate challenge to fully utilize employees’ abilities and employees who prove to have increasing levels of ability should be given increasing levels of responsibility. Accordingly, Herzberg contributed to the idea of “job enrichment”. Job enrichment is adding more tasks to a job to provide grea