Motivation in the form of higher pay

Business, Human Resources

The failure of organization to provide perceived equity for employees results in a lot of resentment (especially when there is secrecy and people overestimate each other's pay) and resulting inefficiencies. The failure of extrinsic rewards is even more obvious in executive positions as incentive systems had very weak or negative correlations to corporate profits as at higher incomes, prospect of more money fails to be a motivator. Locke's (1960) research suggests a reason for such results – incentives actually discourage risk-taking and people perform easier tasks to complete as much work as possible. Employees look at short-term benefits (monetary rewards) rather than long-term organizational interests. Another research proved that in the long-term, even the removal of a financial incentive system that has been long in place could not drive down productivity. Merit pay has also failed as a motivator of performance as few managers feel that higher pay would make them work harder.

Therefore, intrinsic rewards such as training and goal-setting is a much stronger motivator of performance. To treat workers with respect and appreciation is what motivates them to stay at an organization and higher pay has failed to reduce employee turnover in the longer-term.