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Monetary bonuses are one of the best incentives to encourage employees to increase productivity and profits.

In Abraham Maslow's Motivation and Personality (1954), the hierarchy of needs shows that those needs that money bonus's can buy are at the lower levels, that is the physiological needs, safety and social needs (Maslow, A. 1954).. The higher needs that is esteem and self-actualization are non-monetary incentives used in work place. This would persuade most companies to encourage employees to increase productivity and profits by using non-monetary incentives.

Further, in Work and the Nature of Man (Herzberg, F, 1966) there are two type of motivational factors that are described, motivational factors and hygiene factors. The motivational factors are described as those that increase job satisfaction and lead to increase productivity and profits on the other and hygiene factors are those whose absence can create job dissatisfaction and lead to fall in productivity and profits. Even in this case if the pay level of the employee was up to such a level that it did not cause dissatisfaction then it would be productive to go in for the motivational factors, that are achievement, recognition, work quality, responsibility, advancement and growth.

Both these works indicate that monetary bonuses are not the best incentives to increase productivity and profits. The research done by Herzberg was done in the late 1950s; two hundred engineers and accountants from different companies located around Pittsburgh were interviewed during the study. The study found that the factors that influenced job satisfaction were

entirely different from those factors that influence dissatisfaction. Moreover, the opposite of job satisfaction did not mean dissatisfaction. Finally, those factors that increased job satisfaction were intrinsically related to the job (Porter, Lyman W. & Steers, Richard M. 1987).

What this study indicates is that if a company wants to design a bonus for increasing the productivity and profits, it should first look at the salary of the employees and ascertain if it is adequate and is not a factor of dissatisfaction. In case, the salary is not a cause of dissatisfaction then the company should look at the recognition, work quality, responsibility, advancement and growth. Each of these factors as suggested by Herzberg is related to work and incentives related to these five factors will lead to an increase in productivity and profits.

In other words unless the salaries are abysmally low, monetary bonuses are not one of the best incentives to encourage employees to increase productivity and profits. If we return to Maslow's hierarchy he categorizes self-actualization as being needs and the other needs as deficit needs, further he categorizes esteem, belonging needs and safety needs as salient needs. He focuses on the esteem needs and belonging needs as the primary range of salient needs. In practice this means that if a company targets the esteem and belonging needs of employees it is most likely to encourage employees to increase productivity and profits. From the perspective of the owner, unless the past deprivations of the employees are still not met, monetary bonuses are not one of the best incentives to encourage employees to increase productivity and profits. From this perspective the

company should focus on devising incentive schemes that will increase the employee's sense of social belonging to the company and bring him a sense of confidence, competence, achievement, mastery, independence and freedom. How does the company do this? The company provides the employee recognition, attention, appreciation and dignity.

In this sense we see that there is a convergence between the approaches of Herzberg and Maslow. In practice, how do companies encourage employees to increase productivity and profits? Not monetary bonuses but making the work interesting. Repetitive tasks should be reduced and greater interest is created. Empowering employees with information can encourage employees to increase productivity and profits. Involving employees in decision-making increases respect for them and is a practical way of motivating employees. Then there are methods by which awards are given that increase the visibility of the employees, this encourages employees to increase productivity and profits. In practice companies that are interested in encouraging employees to increase productivity and profits create a company culture that recognizes that no two employees are similar and they practice one-to-one management. These companies build employee morale and develop a sense of corporate responsibility.

There are regular brainstorming sessions and the management attempts to uncover the strengths of every employee and nurture them. Money bonuses are rarely if ever used. Yes, recognition is used profusely. Individuals who come up with outstanding new product ideas are honored, teamwork is appreciated and rewarded and individuals are recognized individually. Let us

take a look at these non-monetary incentives that are used in practice to wonderfully motivate the employees to encourage employees to increase productivity and profits. These include a variety of perquisites, winter holiday rewards and incentives for the generation of employees. Each of these work, because it provides incentives to employees that motivate them to work harder and increase productivity and profits. To sum even though under circumstances where salaries are inadequate monetary bonuses do encourage employees to increase productivity and profits, in general monetary bonuses are not one of the best incentives to encourage employees to increase productivity and profits.

References: Herzberg, Frederick. (1966) *Work and the Nature of Man*. . New York: The World Publishing Company. Porter, Lyman W. & Steers, Richard M. (1987).

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