What influences employee performance?

Work. We all have to do it, so it is important we make sure to do something we enjoy for a living. When it comes time to deciding what career path to go down, multiple options are weighed. What am I interested in? How much time do I want to spend at work? Do I want to travel or commute long distances? How much money do I want to make a year? Would I be happy doing this for the rest of my life? These are all great questions that deserve some thought, but as it so happens, we as humans tend to lose interest doing just one thing over a length of time. There needs to be a changeup. Something new needs to occur to keep our attention. Whether it is a new project, new scenery, new people, or even an entirely new job, we need something to motivate us.

Professions all around the world strive to increase their effectiveness. They want to be better, but how? Many different economic professors and social psychologists have done research to help identify ways to improve productivity. These ways have been recognized as the following: raising the minimum wage, money-based enticements, and internal and external motivation incentives, including opportunities for advancement, and a healthy work environment. After analyzing each of these topics, different studies have provided different results as to what truly inspires someone to give it their all in the workforce.

The most popular idea on the correlation between an employee’s performance and productivity is the pay they receive. Right now, there is discussion and debate about raising the minimum wage in order to motivate employees and allow for them to have more financial security. Anthony Davies, in his article, “ Does Minimum Wage Increase Worker Productivity,” argues that raising the minimum wage up to $7. 25 will negatively impact the economy and have the adverse effect of what is desired. Employers will in effect become more “ selective of whom they hire,” causing an escalation in unemployment (Davies). They will not give a job to just anyone if they have to pay a high price. Quality, reliable, skilled employees will be sought after.

Furthermore, in “ The Minimum Wage Delusion, And The Death Of Common Sense,” James Dorn builds upon what Davies said by stating that many “ low-skilled workers, such as teenagers and minorities,” will be skipped over in the hiring process (Dorn 1). He criticizes that politicians backing the idea to raise the minimum wage within the United States by promising low skilled workers a higher wage cannot happen “ if employers cannot profit from retaining those workers or hiring similar workers” (Dorn 2). Dorn quotes a study done by economic professors at Texas A&M University who found that “ the most prominent employment effect of minimum wage laws is a decline in the hiring of new employees” (Dorn 2). Less people working means higher poverty rates. In his opinion, Dorn declares that the “ best antipoverty program is not the minimum wage, but economic freedom that expands workers’ choices and allows entrepreneurs to freely hire labor without the government dictating the terms of exchange” (Dorn 3).

Although not many authors had positive things to say about raising the minimum wage, David Cooper and Douglas Hall did. In their article, “ How raising the federal minimum wage would help working families and give the economy a boost,” they claim that raising the minimum wage “ would help workers still reeling from the effects of the recession in 2008” (Cooper &

Hall). The increase would greatly assist young, part-time workers who are struggling to support their families and go through school. This idea of being undercompensated for the amount of work put in is nothing new.

Addressing this issue of under compensation is Ken Sundheim in his editorial, “ What Really Motivates Employees?,” He claims underpaid employees can become vengeful of their coworkers due to unfairness, damaging the work environment. Equal pay dispersion, such as a salary, as discussed by James W. Fredrickson et al. in “ Sharing The Wealth: Social Comparisons and Pay Dispersion in the CEO’s Top Team,” is a way to get rid of that intergroup tension and have a healthy work environment.

Disagreeing with Sundheim and Fredrickson and the idea of receiving a salary is Linda Ray. Through the findings she presents in her article, “ How Does Salary Affect a Worker’s Productivity?,” salaries tend to lead to complacency (Ray). Getting paid by the hour is what truly encourages higher productivity. Ray gives evidence of this by sharing that “ writers sometimes get paid by the article and seamstresses are compensated by the number of pieces they turn in” (Ray). This allows for employees to become self-determined, and gives them the option to increase their production to earn more.

Justin Wolfers and Jan Zilinsky give their input on the benefits of wages in their editorial, “ Higher Wages for Low-Income Workers Lead to Higher Productivity.” They argue the case that higher wages “ motivate employees to work harder, attract more capable and productive workers, lead to lower turnover, which reduces the costs of hiring and training new workers, enhance quality and customer service, and reduce disciplinary problems and absenteeism" (Wolfers & Zilinsky 2). Better health also correlates with earning a larger income. Wolfers and Zilinsky discuss how having more money allows for employees to receive quality healthcare, which attributes to less sick days taken off from work (Wolfers & Zilinsky 2).

Chuck Leddy opposes the idea of a wage-driven workforce in this in his editorial, " Do Employees Work Harder For Higher Pay?," where a study done by Harvard Business School professors on the way employees received payment was analyzed. Their findings show that performance had nothing to do with the hourly wage the employees were earning, but rather the way their employers presented them with a pay increase. If employees felt like they were receiving a reward, or gift for their efforts it inspired them to continue and improve.

Two common practices of inspiring employees are the use of bonuses and raises. Michael C. Sturman, a professor at Cornell University, in his article, " Using Your Pay System to Improve Employees' Performance: How You Pay Makes a Difference," explained that " both raises and bonuses increase employees' future performance levels," but one is better than the other. Businesses that implemented the practice of using merit raises saw an immediate increase in performance than those who gave bonuses (Sturman 1). Anthony J. Nyberg et al. discovered this as well through their research documented in " Pay-for-Performance's Effect on Future Employee Performance." A merit pay system permits employers to assess employees based on performance reviews and compensate them accordingly (Nyberg et al. 1754). However, the businesses Sturman found to use bonuses to reward their employees instead of the merit pay system saw a significant increase in future employee performance because the employees knew that they would be rewarded for their efforts (Sturman 5).

Typically, with raises and bonuses comes some form of advancement or recognition. Alex Bryson et al. in their article, “ Do Salaries Improve Worker Performance?,” looks at the job of soccer referees in England. There were two types of contracts used to pay the referees. One was a salary contract and one was a match-fee contract, where they would only receive payment based on the amount of matches they refereed. The match-fee referees would work hard to ref as many matches as they could to build up credibility to their name to earn a position among those referees who earned a salary (Bryson et al. 6). Referees who earned a salary were paid more and were classified as “ tier 1” refs. They were the ones in charge of overseeing the “ big games” (Bryson et al. 6). Through his findings, Bryson agrees that “ employees are motivated by monetary rewards,” but points out that they work harder to receive a promotion or an advancement of some sort (Bryson et al. 7). Not just a pay raise. This is similar to what Sara Rynes et al. discovered as they conducted their research, which can be found in their periodical, “ The Importance of Pay in Employee Motivation: Discrepancies Between What People Say and What They Do.” They learned that due to social values most people will not admit that their pay influences their work performance, when in all reality it does. People not only want to be paid well, but they also want to be recognized and rewarded for their efforts (Rynes 383).

Recognition and advancement is the result of prior determination or motivation. Donald G. Gardner and his team performed a field study and recorded their findings in their editorial, “ The effects of pay level on organization-based self-esteem and performance: A field study.” They discovered that pay levels have an effect on employee self-esteem, which affects productivity, and that is what determines a promotion (Gardner et al. 307). How an employee is “ treated at work and compensated for their work” impacts the employee’s loyalty to the company (Gardner et al. 308).

Rebecca Gowler shares her thoughts on employee compensation in her article, “ Employees unclear of link between performance and pay.” She noticed that if employers and employees had a good, healthy relationship with each other and that if employers explicitly expressed that the pay the employees receive “ reflect their performance” then that would be an external motivator that could hopefully become internalized (Gowler). This open employer-employee relationship demands for expectations to be met and rewards to be given when met. This is when performance becomes more transparent, as Gowler puts it.

Contradicting everything that has been discussed to this point is the argument that pay has absolutely nothing to do with employee performance. A healthy work environment full of intrinsic and external motivation is what drives productivity. Tomas Chamorro-Premuzic debates in his article, “ Does Money Really Affect Motivation? A Review of the Research,” that if people are interested in what they do, they will perform better. This causes a feeling of self-fulfillment within them. He says, “ scientific evidence indicates that the link between compensation, motivation, and performance suggests that even if people decided how much they should earn, they would probably not enjoy their job any more than they already do" (Chamorro-Premuzic). It is up to the individual to decide if they are going to be self-driven or allow for outside factors to influence them.

In conclusion, most of the articles cited in this essay contained research performed in accounting firms, production lines, and the offices of CEO's. It would be beneficial to incorporate research done in other occupational fields to see if the results would be similar. This would provide an enhanced grasp on what method truly affects employee performance.

As for now, the debate on what affects employee performance comes down to whether or not it is pay, recognition, or an internal feeling of self-fulfillment. Both employer and employee can influence pay and recognition. Only an employee can determine the self-fulfillment they receive.

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