

Beat the Teacher

Financial Methods of Motivation

Most employees are partly motivated by the financial rewards that they earn from their work.

The most common method of payment is piece-rate *[incorrect: most common method of payment is wages]*. With this method, payment is based on the value of sales achieved, for example 10% of sales turnover. *[incorrect: piece-rate is based on the volume made]*

Salaries and wages are also common. A salary is usually based on the role, responsibility and seniority of an employee. Wages, by contrast, are normally paid based on the amount of time worked. Overtime may be paid, assuming that employees are able to meet the targets set for them. *[incorrect: overtime is generally paid based on the extra time worked]*

Increasingly, employers offer pay that is related to performance. Examples of so-called performance-related pay (PRP) include:

- Health insurance
- Staff discounts *[incorrect: these two are examples of fringe benefits]*
- Bonuses

Financial rewards don't all involve direct payment to employees. For example, an employee might be offered a discounted travel season ticket, a pension scheme or staff uniforms. These are known as fringe costs. *[incorrect: fringe benefit]*

Perhaps one of the best ways to motivate employees is to link their pay to the financial performance of the business. Profit sharing is an option that is only open to companies *[incorrect: profit sharing can be used by sole traders & partnerships too]*– they can distribute a proportion of the company profits in the form of a bonus. Share options are also possible, though only for public limited companies. *[incorrect: private limited companies can offer share options too]*

