

Motivating employees – financial rewards

In reality, despite the views of Herzberg that monetary methods of motivation have little value, firms still use money as a major incentive. There are a variety of payment systems that a business could use to motivate its employees.

Wages and Salaries

Wages are normally paid per hour worked and workers receive money at the end of the week. Overtime is paid for any additional hours worked during the week. However salaries are annual (based on a year's work) and are paid at the end of each month.

Advantage	Disadvantage
Simple and easy to use for businesses	Workers may resent being paid the same as a colleague who they feel is not so productive

Piece-rate

Piece-rate is paying a worker per item they produce in a certain period of time. It was recommended by the motivation theorist Taylor and had close links with working on production lines.

Advantages	Disadvantages
Increases speed of work and therefore productivity	Workers do not concentrate on quality of work as emphasis on speed of work
Often workers not entitled to sick pay or holiday pay which reduces cost	Workers may ignore company rules, such as Health and safety issues, in they try to speed up output

Fringe Benefits

These are often known as 'perks' and are items an employee receives in addition to their normal wage or salary e.g. company car, private health insurance, free meals.

Advantages	Disadvantages
Encourages loyalty to a company so employees may stay for longer	Widespread use to a majority of employees will increase costs sharply
Helps meet a workers human and social needs	

Performance-related pay

This is paid to those employees who meet certain targets. The targets are often evaluated and reviewed in regular appraisals with managers. It is system that is being increasingly used in businesses in the UK.

Advantages	Disadvantages
Easier for managers to monitor and control their staff	It can be difficult to measure the performance of employees in service based industries
Reduces the amount of time spent on industrial relations (negotiations with trade unions)	It does not promote teamwork and can lead to workers feeling they are treated unfairly if colleagues are awarded more

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Profit sharing

This is a system whereby employees receive a proportion of the company's profits. This means staff are in the same position as shareholders.

Advantages	Disadvantages
Should improve loyalty to the company and break down the "them and us" barrier if all staff given same amount	The share given to employees is often too small to provide a worthwhile incentive
Workers are more likely to accept changes to their working practices if they can see that it may decrease costs and so increase profit	Workers may feel that however hard they work it will not have a noticeable effect on the company's profit level, so therefore no incentive

Share ownership

This is a common incentive for senior managers who are given shares in the company rather than a straightforward bonus or membership of a profit sharing scheme. It means that some staff are also shareholders.

Advantages	Disadvantages
Employees will work harder as they have a stake in the company, just like a shareholder has	Often only available to senior managers so can cause resentment among other staff.
Workers are less likely to leave the firm	

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