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The Role of Monetary and Non-Monetary Incentives in the Workplace as Influenced by Career Stage¹

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Introduction

Managers are constantly searching for ways to create a motivational environment where associates (employees) to work at their optimal levels to accomplish company objectives. Workplace motivators include both monetary and non-monetary incentives. Monetary incentives can be diverse while having a similar effect on associates. One example of monetary incentives is mutual funds provided through company pension plans or insurance programs. Because it has been suggested that associates, depending on their age, have different needs pertaining to incentives, traditional incentive packages are being replaced with alternatives to attract younger associates.

This paper will discuss how monetary and non-monetary incentives are influenced by career stages and the problems associated with monetary and non-monetary incentives.

Monetary Incentives

The purpose of monetary incentives is to reward associates for excellent job performance through

money. Monetary incentives include profit sharing, project bonuses, stock options and warrants, scheduled bonuses (e.g., Christmas and performance-linked), and additional paid vacation time. Traditionally, these have helped maintain a positive motivational environment for associates (Kepner, 2001).

Non-Monetary Incentives

The purpose of non-monetary incentives is to reward associates for excellent job performance through opportunities. Non-monetary incentives include flexible work hours, training, pleasant work environment, and sabbaticals.

Incentives Across Generations

Research suggests that desired monetary incentives differ for associates based on career stage and generation. Surveys by the American Association of Retired Persons (AARP) have shown that most workers will work past retirement age if offered flexible schedules, part-time hours, and temporary employment (Nelson, 1999).

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The generations covered in the AARP surveys include "Mature Workers" (those born between 1930 and 1945), "Baby Boomers" (those born between 1946 and 1963), "Generation X'ers" (those born between 1964 and 1981), and "Generation Y'ers" (those born after 1982). The information presented in Table 1 lists non-monetary incentives that are important to each generation covered in the surveys (Nelson, 1999).

Problems with Monetary Incentives

Alfie Kohn (1993) argues that monetary incentives encourage compliance rather than risk-taking because most rewards are based only on performance. As a result, associates are discouraged from being creative in the workplace.

Another argument Kohn presents is that monetary incentives may be used to circumvent problems in the workplace. For example, incentives to boost sales can be used to compensate for poor management. Employers also may use monetary incentives as an extrinsic rather than an intrinsic motivator. In other words, associates are driven to do things just for the monetary reward versus doing something because it is the right thing to do. This can disrupt or terminate good relationships between associates because they are transformed from co-workers to competitors, which can quickly disrupt the workplace environment (Kohn, 1993).

Tailoring Non-Monetary Incentives

Generational non-monetary incentive differences in Table 1 are affected by career stage and proximity to retirement. The older the associate, the more the focus is placed on retirement or supplementing retirement income with part-time or temporary jobs. The younger the associate, the more the focus is placed on job satisfaction and the work environment. The bottom line is that incentives must be tailored to the needs of the workers rather than using the "one-size-fits-all" approach, which is impersonal and sometimes ineffective.

Conclusion

Monetary and non-monetary incentives vary in their roles, effectiveness, and appropriateness,

depending on the type of incentive. Alfie Kohn (1993) argues that incentives actually hamper associates and companies by decreasing associates' motivation, interest, and job satisfaction. This is just the opposite of what incentives were created to do. Incentives must take into account the workers for whom they were created. A balance between monetary and non-monetary incentives should be used to satisfy the diverse needs and interests of associates.

Creating a balance sheet is a simple exercise that can be used for evaluating incentive programs. On one side of the balance sheet list all the incentive programs (both monetary and non-monetary) of your organization. On the other side list all the outcomes (whether desired or not) that can be attributed to these incentives. Areas of improvement would be those outcomes identified as undesirable.

References

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Table 1. Non-monetary incentives desired by different generations of associates.

Mature Workers	Baby Boomers	Generation X'ers	Generation Y'ers
Flexible schedules	Retirement planning	Flexible work schedules	Flexible work schedules
Part-time hours	Flexible retirement options	Professional development	Professional development
Temporary hours	Job training	Feedback	Feedback
	Sabbaticals	Tangible rewards	Tangible rewards
		Work environment	Work environment
			Attentive employers
Source: http://www2.inc.com/search/16431.html (Nelson, 1999).			