The Role of Monetary and Nonmonetary Incentives in the Workplace as Influenced by Career Stage[1]

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Introduction

Managers are constantly searching for ways to create a motivational environment where associates (employees) can work at their optimal levels to accomplish company objectives. Workplace motivators include both monetary and nonmonetary 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 article discusses how monetary and nonmonetary incentives are influenced by career stages and the problems associated with monetary and nonmonetary 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.

Nonmonetary Incentives

The purpose of nonmonetary incentives is to reward associates for excellent job performance through opportunities. Nonmonetary incentives include flexible work hours, training and education, a pleasant work environment, and sabbaticals.

Incentives across Generations

Research suggests that desired monetary incentives differ for associates based on their career stage and generation. Surveys by the American Association of Retired Persons

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(AARP) have shown that most workers will work past retirement age if offered flexible schedules, part-time hours, and temporary employment (Nelson 1999).

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 1981). The information presented in Table 1 lists nonmonetary incentives that are important to each generation covered in the surveys (Nelson 1999).

Problems with Monetary Incentives

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 Nonmonetary Incentives

Generational nonmonetary 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 or one-size-fits-all approach, which is impersonal and sometimes ineffective.

Conclusions

Monetary and nonmonetary incentives vary in their roles, effectiveness, and appropriateness, depending on the type of incentive. Kohn (1993) argues that some incentives can 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 nonmonetary 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 nonmonetary) 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

Kohn, A. 1993. "Why incentive plans cannot work." *Ultimate Rewards. A Harvard Business Review Book*, edited by S. Kerr. Boston, MA: Harvard Business School Press.

Nelson, B. 1999. *Incentives for all generations.* Nelson Motivation Inc. https://www.inc.com/articles/1999/02/16431.html

Table 1. Nonmonetary incentives desired by different generations of associates.

Mature Workers	**Baby Boomers**	**Generation Xers**	**Generation Yers**
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). Last accessed February 2012.