

Section 2: People in business

Chapter 6: Motivating workers

Key terms

1. Motivation: is the reason why employees want to work hard and work efficiently for the business.
2. Wage: is payment for work, usually paid weekly.
3. Salary: is payment for work, usually paid monthly.
4. Commission: is payment relating to the number of sales made.
5. Profit sharing: is a system whereby a proportion of the company's profits is paid out to employees.
6. Bonus: is an additional amount of payment above basic pay as a reward for good work.
7. Performance related pay: is pay which is related to the effectiveness of the employee where their output can easily be measured.
8. Share ownership: is where shares in the company are given to employees so that they become part owners in the company.
9. Appraisal: is a method of assessing the effectiveness of an employee.
10. Fringe benefits: are non-financial rewards given to employees.
11. Job satisfaction: is the enjoyment derived from feeling that you have done a good job.
12. Job rotation: involves workers swapping round and doing each specific task for only a limited time and then changing round again.
13. Job enlargement: is where extra tasks of a similar level of work are added to worker's job description.
14. Job enrichment: involves looking at jobs and adding tasks that require more skill and/or responsibility.

1. Why do people work?

1. **Money:** to pay for living cost / necessities goods or some luxury goods and services.
2. **Security:** not lose job
3. **Connection:** to meet people / friends
4. **Self-Importance:** to feel that they are important or being part of company.
5. **Job-Satisfaction:** to enjoy working.

2. Motivation and Motivation theories

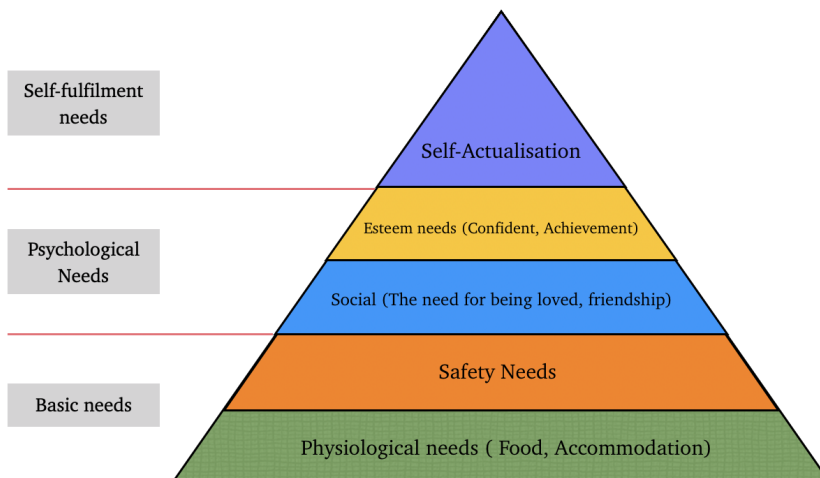
2.1 F.W. Taylor

: Higher payment motivates labor to work harder and more effectively.

To sum up: an increase in wage can increase motivation of workers to work harder and as a result this can increase productivity and lower average cost.

2.2 Maslow theory

: The concept of a hierarchy of needs provides a five-tier model of human needs.



1. Maslow argued that needs at the bottom are basic needs, they are concerned with survival. These needs must be satisfied before a person can move to the next level.
2. Once each level is satisfied, the needs at this level become less important.
3. Each level of needs is dependent on the levels below. An employee has been motivated by an opportunity to take responsibility but they might lose jobs. The whole system collapsed. It needs to provide security on jobs first.

2.3 Herzberg

: There are two factors of motivation which are Hygiene or Maintenance factors and Motivator factors.

Factors of motivation	Motivators factors	Hygiene Factors
<p>Definition</p>	<ul style="list-style-type: none"> • Motivators are factors that give workers job satisfaction, such as recognition for their efforts. 	<ul style="list-style-type: none"> • Hygiene or maintenance factors are factors that can lead to workers being dissatisfied such as pay and conditions. • An improvement in hygiene factors cannot motivate workers, if they are not met there could be a fall in productivity.
<p>Example</p>	<ul style="list-style-type: none"> • Achievement • Recognition • Personal Growth • Promotion • Responsibility 	<ul style="list-style-type: none"> • Company policy • Supervision • Relationship • Work conditions • Salary • Security • Remuneration

3. Motivating Factors

: There are 3 factors which are financial rewards, Non-financial rewards and introducing ways to give job satisfaction.

3.1 Financial Reward Motivators: involved with monetary basis

Financial Rewards	Advantages	Disadvantages
<p>1. Wage : payment for work, usually paid every week.</p>	<ul style="list-style-type: none"> • Employees receive money every week and they do not have to wait for long. • If employees work overtime, they can receive extra 	<ul style="list-style-type: none"> • It is a waste of time to calculate every week.
<p>2. Time Rate : payment by the hour</p>	<ul style="list-style-type: none"> • It is easy to calculate. 	<ul style="list-style-type: none"> • Good or bad workers receive the same amount. • It needs to make sure that workers keep producing good quality.
<p>3. Piece Rate : payment by the amount of product is made.</p>	<ul style="list-style-type: none"> • Piece rate can motivate workers to work faster and more outputs are produced. 	<ul style="list-style-type: none"> • Employees concern only quantity but not quality. • If machinery breaks down, employees can produce less amount. Therefore, it is unfair to
<p>4. Salaries : are paid monthly. Salaries are usually a standard rate.</p>	<ul style="list-style-type: none"> • Employees feel secure since employees can receive fixed amounts every month. • It is easy to calculate salary cost for the business. 	<ul style="list-style-type: none"> • Extra work is not paid.

However, people can gain extra money top-up from salary

1. **Commission** : The more sales they make the more money they are paid which is similar to piece rate.

Advantages : This can encourage sales staff to sell more products.

Disadvantages : The sales staff are very persuasive. Customers will be annoyed and it creates a bad reputation for the company.

2. **Profit Sharing** : Employees receive a share of the profits in addition to their basic salary.

Advantages : This can motivate employees to work harder.

Disadvantages : The company might have a lower dividend paid to shareholders.

3. **Bonus** : A lump sum paid to workers when they have worked well. It can be paid at the intervals during the year or end of the year.

4. **Performance-related pay** : Employee pay is linked to the effectiveness of their work.

5. **Share Ownership** : Employees are given some shares of the company.

Advantages : This should encourage them to work hard and also improve employee loyalty as well as create sense of being part of the company.

3.2 Non-financial reward: or Fringe benefits e.g. car / discount on firm's products / holiday / health insurance/ tuition fee / free accommodation.

3.3 Job satisfaction: is the enjoyment derived from feeling that workers have done a good job.

1. **Job enrichment:** Giving employees greater responsibility and recognition by vertically extending their work role.

<u>Advantages</u>	<u>Limitation</u>
<ol style="list-style-type: none">1. Giving employees a challenge will develop their unused skills and encourage them to be more productive.2. Making workers feel important to business as they contribute work to the business.	<ol style="list-style-type: none">1. Workers who are unable to make it may not respond to incentives.2. Not all workers react in the same way to job enrichment as motivation.

2. **Job rotation:** the periodic changing of jobs or tasks. E.g. Moving from finance to marketing.

<u>Advantages</u>	<u>Limitation</u>
<ol style="list-style-type: none">1. Reducing boredom2. Employees benefit from wider training.3. Motivating workers	<ol style="list-style-type: none">1. Lower productivity as workers learn new jobs and take time to settle in.2. Worker motivation is not guaranteed. They may change from a boring job to another.

3. **Job enlargement:** Giving an employee more work to do of similar nature; horizontally extending their work role. E.g. An employee putting wheels on a bicycle could be allowed to put the entire product together.

<u>Advantages</u>	<u>Limitation</u>
<ol style="list-style-type: none">1. Preventing boredom by completing the entire process.	<ol style="list-style-type: none">1. Giving a worker more of the same => boredom dissatisfaction2. It may reduce efficiency as it allows a worker complete all tasks. => A fall in productivity.

