

DOES MONEY MOTIVATE?



Authors

Brenda Kowske, Ph.D.

Contact

Mark Hellery, Kenexa
+44 (0)203 545 8000
mark.hellery@kenexa.com

ABOUT KHPI

The Kenexa High Performance Institute (KHPI) features a multidisciplinary team of highly qualified professionals with offices in London and Minneapolis. Executive directors, Dr. Tony Cockerill and Dr. Jack Wiley, oversee rigorous, global and innovative research and development programs, spanning all aspects of human capital management. KHPI produces books, academic papers for top journals and practitioner articles. For more information, visit www.khpi.com.

Some say money can't buy happiness, but data from the Kenexa® High Performance Institute shows that for those who can barely pay the monthly bills, it certainly can—at least in terms of happiness on the job.

According to the Bureau of Labor Statistics (BLS), in 2006 the U.S. poverty level was \$20,444 for a household of four, and the average two-adult household, with at least one child under six, spends \$63,412. The only categories with expenses less than \$40,000 a year are those with only one adult. As a reference point, a full-time worker making \$9.00 an hour brings home approximately \$15,000 a year after taxes. The U.S. minimum wage is \$5.85 an hour (*Article originally published in 2009*).

For production, warehouse or clerical workers making less than \$40,000 a year, income is positively related to employee engagement and their intention to stay with the organization. While the relationship is modest, it is indeed significant. However, as income rises for professional and technical workers and management, the relationship diminishes. In other words, income matters more to those making less, and for those in management, no relationship exists. While for production, warehouse and clerical workers, income and intention to stay are modestly related, a belief in opportunities for career advancement is highly related to deciding to stay with an organization. Whether in management, professional, clerical or production jobs, if individuals can see a future for themselves at the company, they are more likely to stay.

These findings are not surprising. However, consider the amount of money spent on retention and performance bonuses, golden parachutes and salary increases for the very group who consider money as noticeably less relevant when deciding to leave a job. Granted, individual circumstances may vary, but in general, offering larger raises and bonuses to higher income groups is unlikely to raise this group's retention rates.

This finding makes sense when thinking about worker motivation theory. For years now, theorists and academicians have considered pay a "hygiene factor" in employee motivation, a term referencing Herzberg's two factor theory of motivation, published in his 1959 book, "Motivation to Work." According to the two-factor theory, hygiene factors do not add to motivation, they can only negatively affect satisfaction if they do not reach a certain threshold. In the case of line workers' income, it is likely that this threshold is the point at which the individual is living comfortably. Higher paid employees may set the threshold at a higher cost of living, or perceptions of fairness as they compare themselves to their peers. Regardless of income level, after income reaches this threshold, it can only serve as a de-motivator; if income is taken away or perceived as unfair, employees will tip the scale by underperforming, which manifests in behaviors such as not meeting goals, taking more sick days or leaving the job.

For many industries, it is the lower skilled, lower paid workers who are the bread and butter of the company's well-being. In 2007, 33.8 percent of clerical, service, warehouse and production workers were thinking about leaving their job in the next

year, with another 22.2 percent on the fence; over half of this workforce is not committed to staying. Common sense tells us that it costs money to train employees.

Higher turnover in our core production and service centers—the largest segment of workers—can cost an organization hundreds of thousands of dollars. Losing line workers in volume is an expensive proposition.

Just because a worker is more skilled or educated does not mean he or she is more valuable to the organization's bottom line. Although it may take less time to train line workers, there is training time nonetheless, and rookie mistakes from the frontlines of an organization take a big toll on customer satisfaction.

Let's consider turning this problem on its head. Rather than using money as an incentive to stay for those who aren't motivated by such an incentive, perhaps it is more fiscally responsible to invest in what it takes to raise retention rates of core process workers; and in so doing, maintain quality and service standards. ■

ABOUT KENEXA

Kenexa provides business solutions for human resources. We help global organizations multiply business success by identifying the best individuals for every job and fostering optimal work environments for every organization. For more than 20 years, Kenexa has studied human behavior and team dynamics in the workplace, and has developed the software solutions, business processes and expert consulting that help organizations impact positive business outcomes through HR. Kenexa is the only company that offers a comprehensive suite of unified products and services that support the entire employee lifecycle from pre-hire to exit.

Kenexa[®]