Cash incentives prove ineffective for some workers
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Cold-hard-cash incentives for workers have been shown to cost companies profits while actually decreasing a worker's level of enjoyment and productivity, according to a WA researcher.

UWA business lecturer Professor Marylène Gagné has recently completed a study questioning the use of financial incentives to motivate good work performance.

A financial incentive is when something is given contingent on doing a behavior or reaching a certain performance target, which include commissions, bonuses, profit sharing and merit increases.

Prof Gagné says economic studies show only between four to nine per cent increases in firm performance coming from incentives.

"Cash incentives have been shown to decrease work enjoyment and work effort as well as increase stress and turnover," Prof Gagné says.

"In manufacturing settings, incentives have the same effect as goal setting and feedback," she says.

"In service settings, financial incentives have been shown to actually worsen performance."

And it gets worse, Prof Gagne says.

"Incentives have been shown to decrease work enjoyment and work effort as well as increase stress and turnover," she says.

"Incentives have also been shown to increase risk taking, competition within the firm, less focus on performance aspects [e.g., quality, customer service, long-term performance] that are not rewarded by incentive plans," she says.

Prof Gagne says compensation must make people feel competent, must encourage autonomous work, and must foster good relationships between employees and employers need to rethink how they motivate their workforce in the modern world.

"People's work is more knowledge based and requires more problem solving and complex thinking and requires a more sophisticated approach," she says.

"And my study has shown that incentives only work for simple and boring tasks, such as fruit picking," she says.

"Nowadays, people's work is more knowledge based and requires more problem solving and complex thinking," she says.

Prof Gagne says a meta-analysis examining the effect of incentives on work performance across multiple studies, shows that incentives have an effect on performance quantity but not performance quality.