

3.5 Motivation (the importance of motivation and financial methods of motivation)

Key Words

The importance of motivation

High worker productivity

Workers will produce more goods or deliver improved services in the time they work. This will reduce the costs of production and therefore the prices the business can charge. This may help to improve sales and profits for the business.

Reduced levels of worker supervision

Workers will want to do their job well. This may reduce business costs as fewer supervisors need to be employed.

Low worker absenteeism

Workers will be happy coming into work and less likely to take a day off if they are only slightly unwell.

Improved quality

Workers will take pride in doing their work well and will produce quality goods and services, knowing that this will satisfy consumers and give the business a good name. There will be less waste which will help the business to reduce costs.

Financial Methods of Motivation

All involve some kind of payment to encourage workers

Bonus

An additional payment to workers for achieving a target

Fringe Benefits

Additional benefits that workers may receive in addition to their pay, such as health insurance, gym membership

Pay

The money earned by workers as a reward for the work they do

Financial Methods of Motivation

Pay

A wage is usually paid weekly and is based on the number of hours worked. Extra can be earned from overtime. It motivates workers as the more they work, the more they earn. However it does not reward workers for how well they do the job. A salary is an annual sum divided across 12 monthly payments. It is often associated with professionals such as accountants, teachers. It motivates workers as they receive a regular income.

Bonus

A payment that a worker receives in addition to their pay, usually for meeting a target. Can be paid to individuals or teams. Bonuses are likely to increase productivity. However, targets need to be fair and realistic or workers will not be motivated.

Fringe Benefit

These are benefits given to workers in addition to their pay. They may help to motivate workers by providing an attractive package of pay and benefits. Fringe benefits are a cost to the business and so may reduce profits..

Profit sharing

Workers are paid part of the profits of the business. It motivates them because they know if they work efficiently the business will make more profit and it will increase their income. However, it means that it reduces the profits for shareholders..

Quizizz – test yourself!



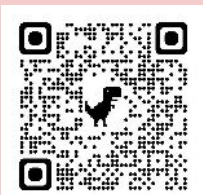
Quizlet



Exam Style Question



Video Links



Extended Reading



Profit sharing

When workers receive some of the profits made by a business