

Benefits of the Monetary and Non-Monetary Incentives

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Non-monetary incentives can be distinguished. An [incentive](#) is a reward given to a person to stimulate his or her actions in the desired direction. Incentives have motivational powers and are widely utilized by individuals and large organizations to motivate employees. They can either be monetary or nonmonetary incentives.

M.T.I Events (2020) states that the benefits that we give to our team members, whether as part of the recruiting process or as a motivator for high-performance standards, play an important role in influencing the [culture of the workplace](#). It is all-important to make our employees feel valued, to take the step to motivate the team and to offer rewards for good work. They increase employee engagement, lower turnover, and build meaningful partnerships between workers and their superiors.

For a long time, the monetary reward has been used by leaders and managers to inspire top workers but the fact is that the effect still does not last as long as it should. As a result, many companies turn to non-monetary incentives. When creating a reward program to motivate employees, decision-makers and business owners need to understand that the reward or incentive neither guarantees quality output nor loyalty but is merely a bonus that encourages employees to achieve their goals without compromising quality.

What are Monetary Incentives?

Monetary Benefits are [financial incentives](#) often used by employers to encourage workers to meet their goals. Money, being a symbol of power, status, and respect, plays a major role in meeting a person's social – security and physiological needs. Yet money ceases to be a motivator when the psychological and safety needs are met. At that point, it becomes a maintenance factor; as per Herzberg (Bhasin, 2017).

Types of monetary incentives

1. **Piece Rates** – This is mostly used in production industries where employees are given a certain amount of money on each produced piece. Piece rates motivate employees to work harder and quickly to produce more pieces as each has extra cash attached to it. However, when issuing piece rates, production supervisors must ensure quality is not compromised.
2. **Pay Raise** – These are mostly offered to employees who have worked in a company for a considerably longer period. Some companies also give pay rises to employees who have reached

a certain level of production or those who have completed the required training programs. Some offer annual salary increments to loyal workers.

3. **Bonuses** – Another good form of monetary incentive is the issuance of bonuses. These might be bonuses to individuals who have met their sales quotas or even bonuses to teams that have completed their [projects](#) in time or have surpassed their production targets. Some companies give yearly Christmas bonuses to long-serving employees as a way of rewarding loyalty
4. **Sharing Profits** – This is another excellent way of rewarding employees. A small profit portion is shared with employees based on their position, duration with the company, and input in attaining the overall set goals. [Profit-sharing](#) is preferred by most companies since it gives employees a sense of belonging and [ownership](#).
5. **Contests** – Are mostly offered to sales and production personnel. An additional price or bonus is given to the employee or a team with the highest production level. Again, Employers can offer cash rewards to employees with the best suggestions just to encourage more input in terms of positive ideas that improve sales, production, or [performance](#).

Benefits of Monetary Incentives

1. Simple and straightforward

The main benefit of monetary incentives is that they are simple to implement and provide a straightforward method of rewarding individuals who produce high levels of productivity. Employers who want to recognize their hardworking employees and have them notice it can use a monetary incentive program. It's also a simple approach to influencing potential employer behavior.

2. No need for customization

There is no demand for customization while using this reward strategy. Every employer is compensated, and they would welcome a raise.

If your company wants to [reward employees](#), offering them generous benefits is a great way to do it.

3. Employee Morale

Employees enjoy being praised and rewarded for their achievements. [Financial incentives](#) not only raise employee morale but also increase productivity. This is because employees will always strive to exceed their bosses' expectations in order to receive a bonus.

4. Enhances the working environment

It gives them the impression that their efforts are valued and that they will be rewarded for future accomplishments. Employees have a good attitude toward work and become more innovative in adopting new methods of operation, which improves the working environment.

5. Excellent for awarding top performers

It is not required for simply one employee in your company to deliver improved levels of productivity. There's a probability that more than one individual contributes significantly to the company's success.

In this instance, you have the option of rewarding your staff with non-monetary incentives or providing them with monetary rewards to directly improve their performance.

6. A fantastic recruitment tool

An incentive program is a fantastic approach to not only recognizing high-performing staff but also acquiring fresh, bright people.

Recruiters can constantly inform job seekers about the organization's incentive plans in order to entice them to join.

7. A fantastic alternative to promoting

Promotions for well-performing staff are not always possible. In this instance, you can always provide them with these types of incentives as a thank you for their hard work.

Because monetary incentives provide immediate satisfaction to employees, you can use them to reward them if you are unable to grant them a promotion but do not want to lose them.

What are Non-Monetary Incentives?

Mays (2020) states that by definition, non-monetary incentives are any items or experiential rewards given in an incentive program as a result of an employee's performance, which can easily be assigned a monetary value. In general terms, measurable benefits are items or events where compensation is monetary rewards. According to M.T.I Events (2020), non-monetary benefits are more memorable, they tend to be valued more than they cost, they are easier to separate from pay, they are especially attractive to gen-z and millennial employees, are easier to talk about and they have emotional value.



The [non-monetary incentives](#) you choose should depend on what impact you want to make and how you want to use them. For instance, the incentives you use to attract new employees may be different from the incentives they can earn as a reward for performing well at work. Non-cash incentives contribute much to employee job satisfaction.

Types of non-monetary incentives

- **Flexible working arrangements:** Allowing your employees to [work from home](#) on certain days of the week or allowing workers to choose their hours is a great way to implement an incentive program without any cost. This makes employees feel like their time is valued, and that it is

understood that they can be trusted to arrange their own working life. Flexi work affords employees additional time to be with their families, thereby providing a [work-life balance](#). For most employees, this is a great non-monetary benefit.

- **Physical rewards:** Whether it's something as simple as a thermos with a funny, personal saying or something as extravagant as a set of golf clubs, there is significant emotional value that tends to come with physical rewards. Another benefit is that they are easier to tie to the company. Whether you invest in [branding them](#) or not, they have an emotional link to your company, meaning that their value and the employee's value of the workplace are connected.
- **Experiential rewards:** Giving your employees a unique experience is one of the most effective ways to create positive memories associated with your organization. This could be a trip to Paris, a day at the spa, a cooking class, or just about anything else you can think up. This is best done when you find out what your employees' passions are, which also will show them that you are interested in who they are as a person.
- **Growth opportunities:** Some of the studies mentioned above show that career development, training, and education opportunities are amongst some of the most highly prized benefits a company can offer. The tangible benefits of helping an employee forward in their career, such as the potential to [earn a promotion](#), are clear. However, investing in employee growth and development also shows that their place in the company in the long term is valued, as well.
- **Recognition and praise:** This is best combined with one of the incentives listed above. Recognition for staff who have been working hard can mean a lot to them. This can be handwritten notes, weekly emails showcasing top performers in the business, or mentioning their success in a team meeting. It reinforces the emotional impact of the non-monetary reward they received.
- **Extra time off** - Why not give employees an extra day of annual vacation or a longer lunch break as a reward? Allowing staff to leave an hour early or giving them half a day off could be a reward. However, the method you use should be determined by your company's demands. An earlier Friday end, a later Monday start, or simply more time off to use whenever the employee chooses would undoubtedly be well accepted.

- **Use social media to acknowledge your personnel** - This is a fantastic method to remind your staff, as well as your social media followers, that you care. Recognizing employees for personal accomplishments is also beneficial. Write a blog post describing their path to attain their objectives, or interview them about it. It could be something work-related, charitable, fitness-related, or anything else that has had a significant positive influence on your employees recently.
- **Fringe benefits** -These are [benefits](#) that are added on top of an employee's regular pay. While the name suggests that fringe benefits are exceptional or unique, most of us would refer to them as standard employee benefits. Health insurance, workers' compensation, retirement programs, and family and medical leave are all examples of fringe benefits. Paid vacation, meal subsidies, commuter perks, and other benefits are examples of less typical [fringe benefits](#). To attract new hiring and keep current employees satisfied, many organizations offer a mix of typical and uncommon benefits.

Benefits of non-monetary rewards

Employees show greater enthusiasm and gratitude for non-monetary rewards, according to research. A lunch with a manager, a trip to a hill station, or an extra day off will have a far greater impact than a monetary bonus.

Cash prizes have a tendency to get lost in the shuffle. It could be spent on bills or other ordinary expenses with no long-term link to the actions for which employees were rewarded.

Employees respond more emotionally to non-monetary rewards, and they feel more appreciated and engaged. Furthermore, psychological principles suggest that non-monetary incentives are valued more highly than the cash value of the prize.

Let's take a closer look at some of the advantages of non-monetary incentives:

1. Non-monetary incentives can be distinguished

Cash prizes for outstanding performance are no longer unusual. People, subconsciously, categorize their sources of money. Because they are both monetary and earned at work, people will aggregate their pay and cash bonuses as one source of income.

Paid leaves, social recognition, and vacations, on the other hand, stand out and are easy to distinguish. Instead of a cash reward, which the employees will forget about, these provide experiences and provide more value to the employees.

2. Fringe benefits attract Gen-Z and millennials employees

Gen-Z and millennials are most likely to value money over non-monetary considerations as they step into entry-level jobs.

However, compensation is not the only criterion young employees look for in jobs. After compensation, the next questions employees ask today are about employee engagement, morale, flexibility, and work culture.

Freshers are especially attracted to the fringe benefits that companies offer. An extra day off, employee perks, and wellness initiatives help in retaining the [gen-z](#) and [millennial employees](#) in your company.

In fact, a [Gallup poll](#) found that employees rank employee well-being as one of their top expectations from employers.

3. Non-monetary incentives are more memorable and emotional

Recognition at work, such as a heartfelt "well done," a handwritten thank-you message, or a unique social media shout-out, can be more memorable than a monetary bonus.

In reality, a non-cash reward will always be more emotionally beneficial to an engaged employee. The emotional worth of a reward increases when employees receive something they can keep, show, or experience.

When people receive a monetary reward from your incentive program, it tends to disappear in the same unremarkable manner. This does not mean there is no time and place for monetary incentives, but according to the CPD Standards Office, you have to consider whether the cash sums are high enough to justify a change of attitude; otherwise, you could end up creating more workplace tension as workers force themselves to meet the targets to achieve the incentives. Please see to it that the result reflects the process. You cannot expect the cash to cut it to have a strong impact these days-non-monetary incentives are key (Mays, 2020).

Bhasin (2017) states that it is prudent to affirm that the company reward system should be a well-thought-out plan that is all-inclusive and satisfactory. Employees' performance should be monitored and objectively measured against the set goals after which a direct link should be created between the actions of employees and the eventual reward.

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