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## **UNDERSTANDING EMPLOYEES' REACTION TO REWARDS VERSUS PUNISHMENTS**

# Understanding Employees' Reaction to Rewards Versus Punishments

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**Abstract:** Work Motivation is a set of energetic forces that originate both within and beyond being an individual, to initiate work-related behavior and to determine its form, direction, intensity and duration. Work motivation is given by the ratio of rewards and performance, as these types of incentives are given to merit or recognition based on tasks assigned. If the management of a company wants to penalize an employee because he has made a mistake (unjustified absence, theft) a disciplinary measure must be taken. However, its implementation should not be discretionary. Overall, the rewards system has been found to be an effective tool of employee retention and motivation. But, the punishment system has not found much success and leads to resentment and negativity in employees. This research explores the various reactions given by employees towards rewards and punishments given in organisations.

**Index Terms—** Employee Retention, employee reaction, rewards and punishments.

## INTRODUCTION

A This journal focuses upon understanding employees' reaction to rewards versus punishments in light of impact of different Incentives in Retention Strategies. Motivation is a very important spect of HR and employee retention (Esnault, 2003). Companies use different kinds of motivation strategies that involve, among other things, rewards and punishments. In this journal, the effectiveness of the rewards and punishments will be assessed and compared to conclude which option is more ideal for employee retention. The perspectives of the employees will be analyzed in order to understand their responses to rewards as well as punishments. Work Motivation is a set of energetic forces that originate both within and beyond being an individual, to initiate work-related behavior and to determine its form, direction, intensity and duration. However, business organizations are dynamic organizations focused on continuous improvement (Wade, 2007). Hence they use fear as a motivator as well. Punishments are used to make employees fear damage of self image. Employees are expected to perform better to avoid being punished.

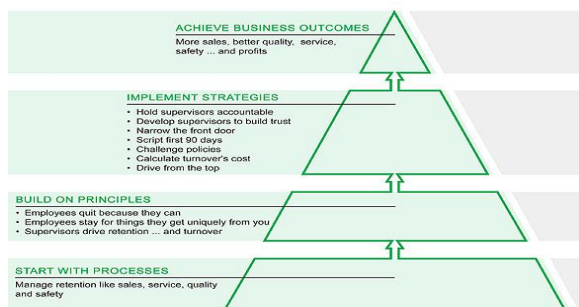


Figure 1: Employee retention strategies

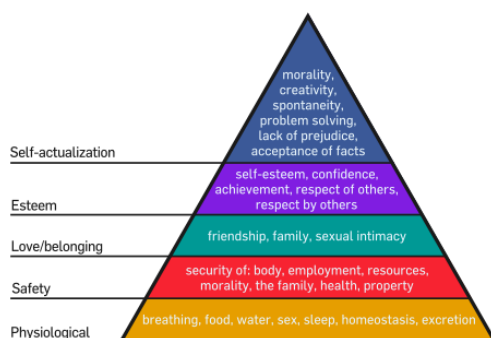
## AIM AND OBJECTIVES

The main aim of this journal is to understand the Employees' reaction to rewards versus punishments in light of impact of different Incentives in Retention Strategies. The journal will focus on the different rewards and punishment oriented motivation and incentive strategies used by the different organizations in order ensure employee retention. The goal of the journal is to assess the effectiveness of punishments and rewards with respect to the perspective of the employees. The main objectives of this journal are:

- To identify the different motivation theories which can help understand the employee perspective
- To identify the different rewards and punishments related strategies used for motivation of employees
- To highlight the pros and cons of punishments and rewards
- To understand the effectiveness of these strategies
- To understand the employees' perspective of these strategies
- To assess the impact of rewards and punishments on the productivity of employees

## RELEVANT THEORIES OF MOTIVATION

Certain motivation related theories can help understand the employees' perspective of the rewards and punishments scenario in any work environment. The two-factor theory of motivation is a psychology oriented concept of motivation which was created by Frederick Herzberg. This theory states that, in any work scenario, there are certain factors which are responsible for the job satisfaction of employees (Emery, 1986). Similarly, there is a different set of factors which are responsible for the employees being dissatisfied (Herzberg, 2005). This concept focuses on the needs of employees. Herzberg involved 200 professionals of a leading organization in his research and enquired about the scenarios in which they were satisfied with their work and the ones where they were dissatisfied. In conclusion, Herzberg highlighted two classifications of factors that influenced job satisfaction. The factors that help maintain a job scenario involve the hygiene. The administration systems and rules of the organization, the office environment, the payment, employee-management relationships, inter employee relationships, etc. are important factors (Herzberg, 2005). The second category includes the factors which motivate an employee to work. These involve achievements, acclaim of talent, respect, development opportunities, etc. Hygiene factors depend on the nature of work. If proper hygiene is not ensured, employees are sure to be dissatisfied. Also, even if the hygiene factors are taken care of, with a lack of motivating factors, an employee's productivity will be hampered and he will never work to his full potential. Thus, in order to ensure employee retention, both these sets of factors need to be incorporated into the organizational structure of an organization (Lieury, 2000).



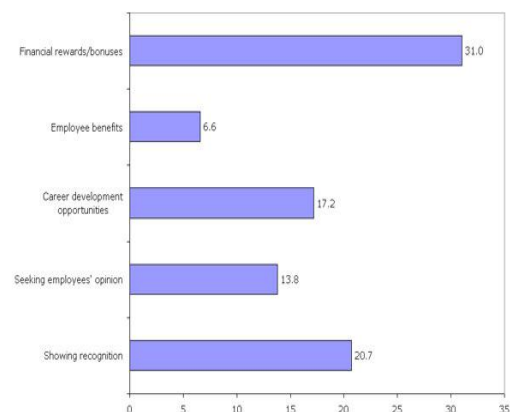
**Figure 2: Maslow's Hierarchy**

Another theory that involves the needs of the employees is Maslow's hierarchy of needs. This is also known as Maslow's pyramid. Created by Abraham Maslow, this theory presents the different needs of man in a hierarchical system with the most basic needs at the lowest level, and the self-realization needs at the topmost level. After a man has fulfilled the basic needs and ensured survival, his next concern will be safety. Thus, in case of a work scenario, if the working conditions are unsafe or

unhygienic, an employee will surely be dissatisfied (Nuttin, 2002). Next comes the need for personal relationships and good equations with management, colleagues, subordinates, etc. An employee can be motivated by ensuring that he has good bonding with the people he works with. Organizations often arrange bonding exercises, seminars, group initiatives, etc. which help people bond and get over their differences. This also makes teams more functional and in turn, increases productivity. In the next level is the need for respect, acclaim, etc. This is where incentives, rewards, punishments, etc. are effective. An employee will be motivated to work hard if he covets a respectable position in the company or some kind of acclaim. On the other hand, if he is punished, he can be motivated to prove his worth and can aim for the rewards to gain respect. However, there is a flipside to this level of Maslow's hierarchy (Diel, 1991). If an employee is punished, or does not get a reward he was aiming for, he might get de-motivated. If a colleague gets what he was coveting for, he might lose interest in work. This factor can damage the productivity of employees. Most of the criticisms of the rewards-punishments system of motivations involve Maslow's hierarchy of needs.

## ROLE OF REWARDS

Rewarding employees is one of the components of motivation. The factors for effectively rewarding and recognizing the work of the employees are simple. The management should adapt the reward to the person, it should adapt the award for the achievements, and, it should be timely and specific. Rewards can be of many types and each can have a different kind of influence on employees. Informal rewards involve that the manager personally congratulates employees who have done a good job. The manager can send personal notes of congratulations to those who have done well. The manager can make public recognition of good performance of the employees. The manager can then upload the employee morale, to celebrate the triumphs (Nekourouh, 2008).



**Figure 3: Factors influencing Employee Motivation**

## REACTION OF EMPLOYEES TO REWARDS

Work Motivation is a set of energetic forces that originate both within and beyond being an individual, to initiate work-related behavior and to determine its form, direction, intensity and duration. Motivation can often be used as a tool to help predict the behavior which varies considerably between individuals and often must be combined with the ability and environmental factors to actually influence performance and behavior. Because of the role of motivation in influencing performance and workplace behavior is the key for organizations to understand and structure, the work environment is used to encourage productive behavior and discourage those that are unproductive. The motivation in employees of a company is vital because they give their all towards a personal or organizational goal. Work motivation is given by the ratio of rewards and performance, as these types of incentives are given to merit or recognition based on tasks assigned. A highly motivated employee brings ideas, creative and innovative inputs and the company that might be able to successfully carry a potential working group in the organization (Carriere, 2007). Rewards make an employee want to work harder and maintain the respect he has achieved. Similarly, rewards make poor performers want to achieve the respect by working harder and improving.

Types of rewards and their influences on employees

The No Cost rewards are another kind. Federal Express, Memphis (Tennessee), inscribes the name of the son of one of its employees in the nose of every new aircraft purchase. The company makes a drawing to select the name of the child, whose family is taken by plane to the factory for the naming ceremony of the apparatus.

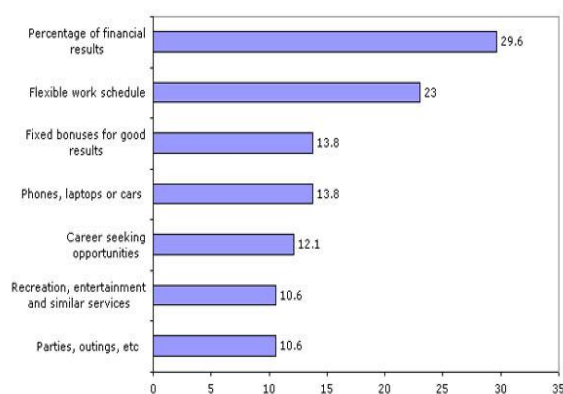


Figure 4: Types of Rewards and employees' preferences (%)

The cell phone division of Bell Atlantic (Philadelphia) designates its branches with the names of the best employees (Lichtenberg, 1997). Praising employees

can be very effective and can make them feel positive about themselves. They should be praised immediately after they have done a good job. The management should tell an employee what it was that he did well; it is important to be specific. Employees should be told that the management feels satisfied by what they did right and that it helps the company and other people who work there. Managers should encourage them to continue doing a good job. Low Cost Rewards are rewards which involve low expenses. In the management office of the federal government in Washington, the department head presents a plaque etched finely to the employee who excelled for "special performance". Later that employee passed the plate to another, who, according to him, really deserved it (Duculot, 1971). The award thus acquired a unique value and prestige that came from own comrades. Who received it could keep it till all the time he wanted, until he found someone else who had a "special performance". When the board changed hands, a ceremony and lunch was organized.

## ROLE OF PUNISHMENT

If the management of a company wants to penalize an employee because he has made a mistake, a disciplinary measure must be taken. However, its implementation should not be discretionary. Indeed, on the one hand, the managers are bound by the rules of their respective business that determines the scale of sanctions (warning, reprimand, demotion). The establishment of rules of procedure is mandatory for any company with more than 20 employees (Moyson, 2004). On the other hand, managers must follow a disciplinary procedure (interview, prior notification, delay, and penalty). It is mandatory for the issuance of any sanctions affecting the employee's contractual situation (layoff, dismissal). If the penalty has no effect on the employee's contract (warning), the managers do not need to perform this procedure. They only need to notify the sanction (Maslow, 1954).

## REACTION OF EMPLOYEES TO PUNISHMENT

Fear paralyzes, and paralysis does not seem a good way to evolve. Business organizations are, or that's the ideal, dynamic organizations, evolutionary, focused on continuous improvement. However, it seems that the punishment or authoritarian rule is still used as a management tool. In companies, hotels, travel agencies, there is more emphasis on teaching the worker what not to do rather than what to do. It is important for the managers to defend freedom as one of the pillars of HR management (Pellemans, 2008). The tourism business is dominated by positive freedom, freedom to do something, typical of leaders and managers, but it is not right to accept the



negative freedom, the right not to be interfered with by the other, the ability to act without being obstructed or impeded. This is typical of the workers, who are truly in touch with the customer and manage, really, the day to day business. Without that freedom, the worker-client relationship is limited and constrained. The abundance of rules makes the worker get trapped in a spider web that affects his work. Generally an organization is profuse in what is usually rules also punishments. But the rules are not respected because employees are afraid of punishment (Oxford, 2011).

## PSYCHOLOGY OF EMPLOYEES WITH RESPECT TO PUNISHMENTS

The rules of an organization are respected because the employees are convinced of their goodness, because the managers internalize its usefulness. A company governed by rules and punishments generates both workers who believe what they do as what not to do. The collective intelligence decreases, because there is fear of thinking, and the center of decision moves away from the cores that are more customer contact. As says psychologist Charles Handy states, "The quality is only possible to be achieved by an inner drive of spontaneous assumption of objective, not by fear of control" (Boshoff, 2002). Workers may also be apostles or prescribers and get away from the role of employee terrorist. Instead it might be more beneficial that rewarded management feedback is used between management and employees, where they internalize the expectations of the company and own goals. The direction of raising those expectations should be so gradual and constructive, that employees have the freedom to manage them. The management should adequately train them to provide management tools and proper responsibility for the worker to be aware of their own mistakes and be able to correct them. Thus, the focus should be on raising the awareness of employees and help them have self realization. A 2010 research by MSN Health published by the academic journal "Human Relations" concluded that it is not an effective step to punish even the worst employees, as, punishment or even firing the employee, does not solve the actual problem (Gustave-Nicolas, 2008). Fear can be a good motivator, but punishments can lower a person's self respect, morale and productivity. A 2011 study by BNET suggests that discussions with employees about their negative aspects are a more effective step (Frances, 1995). Rather, the most common reaction is to feel that they are being treated unfairly (Oldham, 2006). Employees feel insulted by punishments and feel a need to protect their image. This leads them to look for other job options as they do not feel valued by the company. Punishments hamper employee loyalty and result in resentments against company management (Sylviane, 2008).

## CONCLUSION

The two-factor theory of motivation states that, in any work scenario, there are certain factors which are

responsible for the job satisfaction of employees. Similarly, there a different set of factors which are responsible for the employees being dissatisfied. Maslow's hierarchy of needs presents the different needs of man in a hierarchical system with the most basic needs at the lowest level, and the self-realization needs at the topmost level. In order to motivate an employee in the work environment, it is important to understand their perspective and responses to motivation tools like rewards and punishments. Work motivation is given by the ratio of rewards and performance, as these types of incentives are given to merit or recognition based on tasks assigned. The management should adapt the reward to the person, it should adapt the award for the achievements, and, it should be timely and specific. If the management of a company wants to penalize an employee because he has made a mistake a disciplinary measure must be taken. However, its implementation should not be discretionary. There should be a fixed system of punishments which are common for all employees. Fear paralyzes, and paralysis does not seem a good way to evolve. Business organizations are, or that's the ideal, dynamic organizations, evolutionary, focused on continuous improvement. However, it seems that the punishment or authoritarian rule is still used as a management tool. A company governed by rules and punishments generates both workers who believe what they do as what not to do. The collective intelligence decreases, because there is fear of thinking, and the center of decision moves away from the cores that are more customer contact. A 2010 research by MSN Health published by the academic journal "Human Relations" concluded that it is not an effective step to punish even the worst employees, as, punishment or even firing the employee, does not solve the actual problem. Fear can be a good motivator, but punishments can lower a person's self respect, morale and productivity. A 2011 study by BNET suggests that discussions with employees about their negative aspects are a more effective step. Constructive criticism can help but managers need to be very specific in highlighting the aspects of an employee which are not desirable. On the other hand, rewards have been found to be a much more successful tool of motivation. According to Charles S. Jacobs, an author in "Psychology Today", generally, employees do not perceive punishments as a correctional measure that urges them to improve their work performance. Rather, the most common reaction is to feel that they are being treated unfairly. Employees feel insulted by punishments and feel a need to protect their image. This leads them to look for other job options as they do not feel valued by the company. Punishments hamper employee loyalty and result in resentments against company management. Thus, punishments in the workplace do not have any positive impacts on the psychology of the employees. Thus, it can be concluded that a rewards oriented motivation plan is more effective for employee retention. And as for improving the productivity of poor performers, rather than punishments, the management should adequately train them to provide management tools

and proper responsibility for the workers to be aware of their own mistakes and be able to correct them. Thus, the focus should be on raising the awareness of employees and help them have self-realization.

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