

# Will a one-off \$1,000 or Rolex really motivate employees to work harder or stay put?

While splashy benefits make news headlines, there's a better way to retain people.

**Sam Yam Kai Chi and Tiffany Tan**

Companies are going the extra mile to keep employees happy – from new hires to loyal staff. OCBC Bank recently gave all 4,600 of its junior employees \$1,000 each, and in 2023, Paradise Group gave each of its 98 long-serving employees a Rolex watch.

Do such rewards really improve work performance and employee retention? Yes, but up to a certain point.

Economists find people generally experience a linear increase in happiness and motivation before they reach income satiation. Past a certain amount, increases in income no longer produce the same increases in happiness.

How much do we have to make annually to get there? Not as much as you might think. In 2018, researchers found that the point of income satiation among citizens in developed economies in Asia is approximately US\$10,000.

Adjusted for inflation, that value stands at roughly \$180,000 in 2024 – as much as the top 12 per cent of all resident taxpayers in Singapore, based on 2022 Inland Revenue Authority of Singapore tax data.

Of course, making more money remains the goal for the vast majority of us, especially given the recent rise in the cost of living in Singapore.

But the news raises the question of whether such tactics really do make an impression on employees and contribute to retention.

OCBC and Paradise Group follow a tradition of companies giving employees generous perks. Tech companies like Google, Meta and X, formerly Twitter, were once notorious for the lavish benefits doled out to staff – from

free meals on a buffet line to yoga classes and in-house masseuses.

Let's get real. Anyone can tell you a one-time handout of \$1,000 or a fancy Rolex will not permanently solve anyone's money woes or move them to stay with a toxic company (not that I'm saying OCBC or Paradise Group is, to be clear).

That said, such efforts are not entirely meaningless.

## DOES MONEY BRING OUT OUR WORST?

It turns out that giving cash compared with gifts or social incentives can lead to very different motivational outcomes at work. In one famous study, economists found that handing out a large financial incentive does indeed lead employees to perform better for their organisations.

But size matters. They also found that people who were offered a small financial incentive sometimes performed more poorly than those who were not offered anything at all.

Psychologists have generally replicated these findings and found an explanation. They discovered that cash incentives activate a "market pricing" mindset, in which employees view work primarily as a monetary market. The focus is on economic exchange and reciprocity – "the more you pay me, the more work I do".

With a market pricing mindset, people become more calculating and less sensitive to the needs of others, because they are focused on themselves, their interests, and what they stand to gain from the transaction. They are more likely to engage in cost-benefit analyses and objectify their social interactions with others.

When financial incentives are introduced but the amount fails to meet expectations, people are unlikely to feel more motivated at work. Worse, this can even trigger poorer performance.



## THE GIFT OF GIVING

In contrast, gifts elicit a social relational mindset where people are motivated to prioritise and maintain interpersonal relationships. Effort becomes less contingent on payment.

In social markets, as opposed to monetary markets, effort is driven by altruism, where one does not work for compensation, but to help and benefit others. A social relational mindset may also lead to increased loyalty to organisations, better relationships with colleagues, and healthier organisational cultures.

But organisations must be mindful about what gifts they choose. Are lavish Rolexes always what people want? If not, why give these?

Researchers have found that gift-givers often do not choose gifts that receivers desire the most, but gifts that they think will elicit the biggest affective reaction from the receiver, like a big smile or laugh.

Between gifts that maximise reaction (like a beautiful bouquet of fresh flowers) and gifts that maximise satisfaction (like a bonsai plant to decorate the



OCBC Bank recently gave all 4,600 of its junior staff \$1,000 each. Cash incentives have real potential to bring about better work performance, but employees can be sensitive to the amount, say the writers. ST PHOTO: CHONG JUN LIANG

house), gift-givers tend to choose the former, though the latter is what gift recipients tend to prefer.

Thus, organisations should be careful in selecting the types of incentives to offer employees. Cash incentives have real potential to bring about better

work performance, but employees are sensitive to the amount. In other words, organisations must "pay enough or don't pay at all".

In giving gifts, on the other hand, organisations should be heedful of and sensible to what their employees actually want,



Paradise Group gave each of its 98 long-serving employees a Rolex watch in 2023. Money and gifts are only some of the things that motivate employees – people also get motivated intrinsically. PHOTO: DOREEN SEAH/FACEBOOK

not what will just spark a big reaction and make splashy news headlines.

## MOTIVATION FROM WITHIN

Needless to say, money and gifts are only some of the things that

motivate employees. People also get motivated intrinsically – that is, they do things not for some monetary reward or gift benefit, but for a purpose, a sense of meaning, or because they enjoy it. Organisations have much to

offer employees beyond compensation. Research has looked at other factors like recognition, opportunities for growth, work-life balance and leadership, and their impact on employees' job satisfaction and retention.

These cannot be neglected or ignored just because a company is ready to hand out a one-time payout or gift from time to time. Extrinsic factors like compensation and intrinsic factors like the joy of a task are not mutually exclusive, as is commonly believed.

Neither do such rewards reduce intrinsic motivation. Instead, the evidence largely finds that extrinsic motivators like gifts and cash incentives can be a strong and apt reinforcement to intrinsic motivation, working together to enhance people's performance overall.

So go on, give them the Rolex.

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