Another Look At Workplace Incentives

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> *This short essay was written in 2002 as an invited contribution to an anthology. The author who had extended the invitation, a supporter of incentive systems, subsequently declined to publish it.*

Managers and consultants with a strong professional interest in continuing to use – or convincing others to use – any of 1,001 kinds of reward systems have not taken kindly to the suggestion that there is something fundamentally flawed about this approach. They prefer to insist that we need only change the particulars of how incentives are implemented.

Thus, for example, we hear about the need to individualize rewards, or simply to avoid trickery. We're advised to use pleasant sounding phrases – "partnering," "goal setting," "performance management" – while dangling goodies in front of employees to get them to do what they're told. We're informed that people often prefer noncash rewards. This last assertion is certainly true, for what it's worth. If people are asked which sort of incentive they like best, they may well pick something other than money. But look at how the question – and, more disturbingly, the choice offered in some real organizations – is framed: you only get to choose the flavor of the doggie biscuit you'll be offered, not whether to replace the whole system. Numerous studies have shown that when people are asked what is most important to them about work, the top answers are factors such as interesting work to do, or good people to do it with, or a chance to have some say about what one does. These are not rewards. They are not offered conditionally, on the basis of satisfying someone who has more power than you do.

What matters about the idea of carrot-and-stick control is how it feels to the people to whom it's done, not what new versions – or rationalizations – consultants are able to come up with to justify the concept. It's particularly interesting to ask folks who have worked at organizations that don't use rewards at all, those that pay people a decent salary and then help them create interesting tasks, a sense of community, and an opportunity to participate in making important decisions. These people, in my experience, rarely choose to return to a place in which employees receive patronizing pats on the head or other goodies for pleasing the boss. They want to be paid, not "incentivized"; encouraged, not praised; offered respect, not reinforcements.

Strictly speaking, it is possible for companies to subject employees to incentives while simultaneously making a good-faith effort to focus on what I've called the three C's – choice, collaboration, and content. But these two strategies pull against one another, since one is about "doing to" and the other is about "working with." In effect, such managers end up taking away with one hand (by continuing to use rewards) what they have given with the other.

What I observed almost a decade ago, in *Punished by Rewards*, is still true as far as I can tell: not a single controlled study has shown a long-term improvement in the quality of work as a result of any reward system. That would be an astonishing fact were it not for the existence of scores of studies – conducted with adults as well as children, in real workplaces among other venues – that have demonstrated how rewards tend to be not merely ineffective but powerfully counterproductive.

What is astonishing is how many people continue to buy the party line – that the concept of using extrinsic inducements is sound – indeed, not even open to question – and the failure to show meaningful results (yet again) is due only to getting the details of implementation wrong. In place of solid arguments and evidence, we find a continued reliance on that outdated ideology known as behaviorism, a version of which turns on the adage that "all behavior is controlled by its consequences." Depending on how the key words here are defined, this is either tautological (that is, true by definition and therefore not especially useful) or simply false. Even if you accepted it at face value, this declaration begs the question of what kind of consequences we're talking about. I might work harder at a job that gives me personal satisfaction, for example, but that isn't even the beginning of a justification for setting up artificial consequences like bonuses or sales commissions.

A few years ago, *Training* magazine – hardly a bastion of anti-Skinnerian sentiment – ran a cover article called "Why No One Likes Your Incentive Program." They were acknowledging what every honest person who has spent time in the business world must concede: reward systems are highly unpopular and (partly as a result) ineffective. I wish I could tell you that tweaking an existing program, finding a new way to reward people, would make those problems vanish. The reality is that rewards cannot work, at least in any significant way, because of the problems that are inherent to the whole idea of extrinsic motivation. Merely eliminating those rewards will not transform a workplace. That step is not sufficient, but it sure is necessary.

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