

 Published in Big Ideas



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Oct 28, 2020 · 5 min read · Listen



To Demotivate Your Workers, Connect Pay to Hours Clocked

Employees of all ability levels see pay solely based on their hours worked as unfair.

Based on the research of Eric Chan and Steven Kachelmeier



Employers such as law and consulting firms often reward workers for spending long hours in the absence of the quality of their work.

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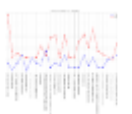
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But it's a strategy that can lower productivity, breed resentment, and ultimately hurt a business.

When organizations with a mix of high- and low-performing employees base rewards on hours worked, employees see compensation as unfair and end up putting in less effort on the job. High performers resent doing more work than their low-performing peers while getting the same reward. Low performers assume their overachieving colleagues will carry the load, and they'll be compensated regardless.

“This long-hours culture is a common phenomenon, especially in the U.S.,” says [Eric Chan](#), assistant professor of accounting at Texas McCombs. “The longer you work, often you're rewarded for that.”

“We found that for workers with very different abilities, this policy leads to feelings of unfairness and resentment that are very strong, and you get a backfire effect. For employees with similar abilities though, we don't find that adverse effect.” — Eric Chan

[Chan](#) is one of the authors of a new paper that looks at the consequences on employee behavior of rewarding workers based on time spent at work rather than on their accomplishments and achievements on the job.

To show how this “working longer” compensation affects employees, Chan and his colleagues [Steven Kachelmeier](#), the Randal B. McDonald Chair in Accounting at Texas McCombs, and Xinyu Zhang, Ph.D. '18, assistant professor of accounting at Cornell University, conducted two experiments in the lab that simulated a workplace in which employees perform thought-based tasks.

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Less Effort

In an initial experiment, 142 undergraduate business students at a large public university completed 20 anagram puzzles, in which the letters in words or phrases are rearranged to form other words or phrases. The students unscrambled words during four work periods of up to six minutes each.

Participants first engaged in a brief practice round to assess their abilities, and then the researchers anonymously paired them in two-person “firms,” each with a high-ability worker and a low-ability worker. After the practice round and each work period, the researchers told the students how their partner had fared.

Participants completed the puzzles independently, and each correctly solved puzzle earned the pair 400 lira, a fictional currency that researchers converted into real U.S. dollars at a rate of 1,000 lira to \$1. Money earned went into a shared pot. The students were also told they could end any work period early, and if they did, they would individually earn 60 lira for each unused block of 10 seconds.

In one of the experimental conditions, participants shared the pot based on how long each person worked on the puzzles. In a different condition, participants divided the money based on how many puzzles each team member answered correctly in the allotted time. The researchers found that when compensation was based on time spent completing the puzzles, students of all abilities solved fewer puzzles during the time spent on the task, implying they put forth less effort.

In a second experiment, participants completed the same anagram task for individual pay, without sharing in a compensation pool or knowing how much other participants made for the same task. The researchers found that these students put in their full effort irrespective of whether the compensation was

based on time spent or puzzles solved. “When there’s no longer this social comparison, there’s no incentive to cut back on production,” says Kachelmeier.

After students solved the anagrams, the researchers asked them what type of reward structure they thought was the fairest. Students — even low-ability ones — said it would be fairest to be paid for how many anagrams they solved. However, when asked which compensation structure they preferred, low-ability students said they would rather be paid based on time spent working.

“They recognize what’s in their self-interest.” — Steven Kachelmeier

Flexibility Pays Off

The research suggests that companies with workers of varying abilities may be wise to reward staff members based on their accomplishments rather than the time they spend at work. This conclusion, however, excludes jobs that by their nature demand long hours — roles with tight project deadlines or unpredictable work demands. But in the end, flexibility with work hours could be better for some businesses than requiring workers to punch the clock.

The problem is that employers frustrated with consultants or accountants who come in late or leave early might be tempted to institute a policy that rewards employees who put in more hours, speculating that the policy will help boost the bottom line. “The irony is that such a policy may appear on the surface to be working,” Kachelmeier says. “You will see more effort in the sense of time spent on the job.”

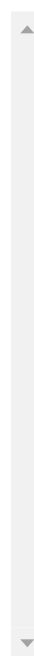
However, what employers won’t see are these unintended consequences. Workers can get demoralized, productivity drops, and employees may choose to find another employer that gives them more freedom and flexibility in their work schedules.

Chan says that some employers may not fully understand the negative effect of a long-hours culture, especially for high performers who can complete tasks more efficiently. Workers might first try to respectfully communicate to their employer that long hours are hurting their productivity. If that fails, they may want to look elsewhere for a job that values their productivity and gives them the flexibility to control their work hours.

“In the U.S., we’re all racing to see who can sacrifice the most for the job,” Kachelmeier says. “It’s, ‘Look how long and hard we’re working.’ But how much you’re personally sacrificing in hours for the job does have negative consequences, and it’s not just in burnout; it also breeds resentment. Companies have got to give flexibility and let people determine what’s right for them.”

“Working Longer but Not Harder: The Effects of Incentivizing Inputs versus Outputs in a Heterogeneous Workforce” is forthcoming, online in advance in The Accounting Review.

Story by Deborah Lynn Blumberg



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