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Research Report

The effects of remuneration and reward systems on employee motivation in Luxembourg

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EIKV-Schriftenreihe zum
Wissens- und Wertemanagement

The Effects of Remuneration and Reward Systems on
Employee Motivation in Luxembourg

Lisa Schreiner

IMPRESSUM

EIKV-Schriftenreihe zum Wissens- und Wertemanagement

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1. Chapter: RESEARCH OBJECTIVE

1.1. Introduction

The various remuneration forms and reward systems that exist are one of the most discussed areas of employee management. Staff rewards were primarily regarded as a costly item. However today, more and more companies are discovering that rewards are an effective strategic tool that can be advantageous when it comes to achieving the corporate goals.

The employees and their performance are essential for the company's success. Effective and motivated employees offer the company opportunities for growth and thus develop advantages compared to its competitors. It takes motivation to obtain the employee's individual performance. Therefore, companies have to work constantly on their systems to reward the employees and they are increasingly trying to get behind their employees' motives to work in order to effect their motivation.

Programs and policies to further improve the rewards by providing a high quality of life to the employees have to be developed. But it is not about being able to offer an costly reward system but offering rewards that are valued by the employees. Only then, their motivation can be positively influenced.

In addition, it is important to define the forms of remunerations and reward types in the terms and conditions of the company. This is to avoid scandals from recent years in Luxembourg, such as the use of the company car to drive to a vacation, that have been caused abuses of the rewards.

1.2. The objective of the thesis

The following thesis has the objective to determine employee's motivation based on the providing of remunerations and rewards. In order to achieve the objective of the thesis, theoretical information is provided on the subjects of remuneration and reward. Furthermore, there will be a literature review of motives and motivation.

Another objective is to give every reader a clear overview of the common rewards in Luxembourg and provides an insight into the issue of motivation. Through this

information, this thesis can help to better understand its own motivation and probably to adapt behaviors.

This thesis includes a survey of a selection of remuneration and rewards that links the topic of remuneration and reward to the motivation that may occur.

Moreover, humans only know their own opinion of rewards and motivation. The results of the survey are therefore interesting because they show how other employees are motivated and their views on the provided rewards.

The thesis and the linked survey may be viewed as an example that helps companies in developing a questionnaire or interviews in order to introduce the right rewards.

1.3. Course of investigation

The research question posed as title of this thesis requires collecting information from a certain number of employees working in Luxembourg. Therefore, this thesis includes a theoretical and an empirical part.

The first chapter was designated to give an introduction to the subject of the thesis and to state the objectives of the thesis and the survey.

The second chapter will provide the theoretical foundation based on a literature review. The major concepts which will be analyzed are remuneration, reward and motivation. Those are the key words given in the research question.

The next chapter will focus on the survey that has been conducted. A statement of the research design will be given and the results of the survey will be presented.

The last chapter will recapitulate the thesis. The overall findings of the survey, as well as the benefits and the limitations resulting from the survey will be provided. This chapter includes a suggestion of the author based on the research question. To conclude, the thesis will set recommendations and will provide a conclusion.

2. Chapter: LITERATURE REVIEW

An essential task of human resource management is the creation of factors that influence human work performance (Brecht, 2012, 145). Work performance is the result of the execution of a task within a given timeframe and with a certain quantity and quality, whereby it is the maximum performance level that an employee can afford (Brecht, 2012, 145). There are two types of influential factors that have been defined: personal and non-personal. The company can only influence the non-personal factors and tries this through the reward systems (Brecht, 2012, 146).

The Luxembourgish law defines the wage as

Der Grundlohn und alle eventuell vorhandenen anderen Vorteile und Nebenvergütungen (Putz, 2013, 180 – Originaltext).

An employee's total wage consists of two elements: On the one hand, the employee receives a monthly salary, which in this thesis is explained in section 2.1. On the other hand, there are the additional rewards that are added on to the remuneration (Putz, 2013, 180). This will be section 2.2. that gives an analysis of a selection of reward systems. The willingness to perform for the company is enhanced through motivation (Brecht, 2012, 148). The last section of the literature review 2.3. is reserved for motives and motivation as well as for motivational theories.

2.1. Review of remuneration

The word remuneration has its origin in the Latin word *munerare* which means a gift (Kressler, 2001, 152).

Someone's remuneration is the amount of money that they are paid for the work that they do (Collins Cobuild, 2006, 1217).

There are other terms which are similar to the meaning of remuneration.

A salary is the money that someone is paid each month by their employer, especially when they are in a profession such as teaching, law or medicine (Collins Cobuild, 2006, 1275).

The term wage is defined as

The amount of money that is regularly paid to them for the work that they do (Collins Cobuild, 2006, 1630).

In the US, a term relatively often used is compensation, but this has a rather negative connotation, because this is associated with indemnity (Kressler, 2001, 152).

In Luxembourg different forms of remuneration exist. In addition, a minimum wage is guaranteed and sometimes collective agreements have to be applied and the indexation influences the remuneration amount. This rate is in general partly variable and partly predetermined. Regarding the fixed part of the remuneration, there are two limitations: the minimum wage and the collective agreements. Often pay tables give the amount of the remuneration for a specific group of employees (Putz, 2013, 187).

The variable part is generally related to the employee's performance. The remuneration cannot be totally variable in order to protect employees from over working (Putz, 2013, 180). The amount of the remuneration can be negotiated freely by the two parties, company and employee, and is then contractually fixed (Putz, 2013, 186). Remuneration differences based on the employees' age or gender are forbidden (Putz, 2013, 187). For different jobs, it may happen that a rule of equal treatment has to be applied. This means that a group of employees must be paid an equal remuneration. For example, part-time employees are often affected by this rule (Putz, 2013, 187).

The remuneration has to be paid on a monthly basis to the employee or, in exceptional cases, partly to the employee's creditors (Putz, 2008, 192f). In Luxembourg, it is mandatory that a pay slip, a detailed statement of the remuneration, is produced each month (Putz, 2008, 193).

2.1.1. The creation of a minimum wage salary in Luxembourg

The free determination of the amount of the remuneration is limited by the statutory minimum wage. In Luxembourg, the minimum wage was introduced by a law in 1944 (Arrêté grand-ducal du 30 décembre 1944). Covering the employees' basic needs has to be guaranteed and this is why the government created that wage (Putz, 2013, 13). Any

clause in the employment contract that undermines this wage is void. The minimum wage is adapted every two years, when the government analyses the evolution of the economical conditions in Luxembourg (Art. L-222-2, Code du Travail). Like any other remunerations, the minimum wage underlies the automatic wage indexation; see section 2.1.4. Regarding the calculation of the minimum wage, two groups of employees are being distinguished: the unqualified and the qualified group. If an employee has an official certificate of professional skills, then he is considered a qualified employee (Putz, 2013, 186). A combination of the diploma and the professional experience may also provide the requirements to receive the qualified minimum wage (Putz, 2013, 187). The wage for qualified employees is 20 percent higher than that for unqualified employees (Art. L.222-4, Code du Travail).

2.1.2. Forms of remunerations

Since July 1895, remunerations in Luxembourg have to be paid in metallic or paper money (Article 1, Loi du 12 juillet 1895 concernant le paiement des salaires des ouvriers). The form of remuneration is determined in the employment contract (Putz, 2013, 86). Those forms are the different methods used by a company to calculate the monthly wage (Jung, 2008, 584). The fixation of a remuneration form stays relatively flexible as far as the statutory minimum wage is maintained (Putz, 2013, 86).

The remuneration forms have to be determined based on the task and the performance which can be measured by time, quantity, or quality (Dincher, 2014, 274). This results in four remuneration forms which are: time wage, piecework, pensum rewarding, and commission.

2.1.2.1. Time wage

The time wage is an hourly rate.

Hourly earnings are that money that you earn in one hour (Collins Cobuild, 2006, 705).
--

It is the most common way in Luxembourg to remunerate an employee. The calculation of this remuneration form is relatively easy. The employee's personal performance is not

taken into consideration in this form (Brecht, 2012, 160). The time wage is a fixation determined by the company based on a presumed normal performance. However, it can happen that an employee does not accomplish target goals and as a result, the company will have additional labor costs (Brecht, 2012, 160). Essential for the time wage calculation in Luxembourg is the existence of the minimum wage which is explained in chapter 2.1.1. This ensures that every employee has a minimum quality of life. In Luxembourg, the fixed number of hours per day is 8 hours (Art. L. 211-5., Code du Travail, 2016, 72). This means that the overtime rate is the amount of hours that are worked in addition to those general 40 hours per week. The maximum of overtime hours that can be worked per week is 48 in order to guarantee a balanced private and professional life (Art. L. 211-8., Code du Travail, 2016, 74). Collective agreements may even include clauses that set less than 40 working hours per week (Art. L. 211-5., Code du Travail, 2016, 72). The wage per hour is taken and multiplied with 160 to obtain the monthly time wage remuneration. This form can be used as an incentive to higher the motivation of employees by raising the time rate (Brecht, 2012, 160).

2.1.2.2. Piecework

In relation to this form, an important part of the remuneration directly depends on the employee's performance (Brecht, 2012, 160). For the application of piecework some requirements in the company have to be considered: First, the related task must be countable, for example, by the amount (Dincher, 2014, 281). Next, such a remuneration is only possible if the results of the task are not influenced by chance and if the execution of the task can be done undisturbed (Dincher, 2014, 281). The last requirement is that the speed of the task has to be influenced by the employee. It is therefore not possible to pay a piecework remuneration for assembly-line jobs (Dincher, 2014, 282). If those conditions are fulfilled, the company sets a limit to the amount of the variable remuneration in order to prevent the employees from exaggerating with the performance and to protect their health (Dincher, 2014, 282). The extra amount applied additionally to the basic remuneration is normally between 5 and 20 percent (Dincher, 2014, 279). This amount is determined either by a fixed amount of money per piece or by a given time per piece (Dincher, 2014, 280). Nowadays, the method time unit per piece is mostly used.

Only a few companies still use the first method such as craft businesses (Dincher, 2014, 281). For the employee, this remuneration form creates an incentive to raise the performance and to execute the tasks quicker in order to earn more money. For the company this will increase the number of units and thus, the productivity level (Dincher, 2014, 279). In Luxembourg, piecework is not allowed for adolescents and for pregnant women. More speed is necessary to deliver more performance, which creates a too high health risk for this group of employees (Putz, 2013, 181).

2.1.2.3. Penum rewarding

The penum rewarding form is a combination of the time wage and the piecework remuneration (Brecht, 2012, 161). This form consists of two elements: a fixed basic salary, generally calculated by the time wage, and a paycheck that relies the performance of the employee on a fixed period of time (Jung, 2008, 596). The employee receives a fixed basic remuneration, so there is no pressure to deliver at high performance, but the employee is free to choose his performance level (Jung, 2008, 596). The calculation of the penum rewarding is complex due to the fact that the performance has to be measured. In addition, the variable paycheck amount has to be decided in the company council (Brecht, 2012, 162). Through the penum rewarding, the company tries to influence the performance level of the employees in order to achieve the company's goals. A high or low performance will only influence the next time period of the business (Jung, 2008, 596).

2.1.2.4. Commission

Commission is defined as

... the sum of money paid to a salesperson for every sale that he or she makes (Collins Cobuild, 2006, 274).
--

In the distribution industry, it is common that employees are paid on commission. This remuneration form is a variable payment, because the amount depends on the turnover, the income, or even the new customer number (Kieser, 2016, 15). The commission

remuneration is determined by a certain percentage based on the performance level the company chooses. All performances are rewarded no matter whether good or bad; it is only the amount of the reward that varies (Kieser, 2016, 15). An example of employees who are remunerated by a commission are the salespeople of the company Tupperware.

The amount they receive depends on the amount they sell (Collins Cobuild, 2006, 274).

Today, commission rewards are often used as a tool to achieve corporate goals, but also to involve the individual performance level of each employee more (Kieser, 2016, 16ff).

2.1.3. Collective agreements

In 1893, the typographers were the first ones to conclude a collective agreement in Luxembourg. But that creation was done without any legal framework (Putz, 2013, 13). It was only in 1965, when the collective agreements were given a legal framework and that with the introduction of a law in June. There was a reform in 2004 that changed the regulations of that law (Putz, 2013, 13).

Today, the most important agreement between companies, employees, and trade unions are the collective agreements (Putz, 2013, 24). A collective agreement sets uniform conditions under which a company or a specific sector has to work (Putz, 2013, 25). Such a collective agreement is reliable when it has been signed by the company and the trade union, of which the employer is a member (Putz, 2013, 24). It does not matter whether the employee is a member of that union or not, in order for him to profit from the collective agreement (Putz, 2013, 24). Collective agreements can also be created by a decree of the Grand Duke. But only one collective agreement can be applied at the same time (Putz, 2013, 26). Companies have to respect the hierarchy. In Luxembourg, there is firstly the law to respect, then the collective agreement, and finally, the employment contract (Putz, 2013, 28). For lots of sectors, those agreements are compulsory, even if the text of the agreements don't have to be published (Putz, 2013, 26) for example in the banking industry, the building sector, the public sector, the hospital sector, the taxi drivers, to name only a few (Putz, 2013, 25f).

An advantage of the collective agreement is the consolidation of the negotiating potential in order to highlight the interests of the staff (Putz, 2013, 27). As a disadvantage can be

seen that the application of a collective agreement prohibits employees from going on strike (Putz, 2013, 27).

2.1.4. Indexation

The goal of the indexation of remunerations is to guarantee the purchasing power of the employees. In Luxembourg, remunerations, the minimum wage, and pensions have been indexed since the year 1951 (Thewes, 2011, 138). This means that the wages are adjusted to the living cost index in Luxembourg (Putz, 2013, 188). If this index has risen by more than 2,5 percent, remunerations will be increased also by this percentage (Putz, 2013, 188). In the case of an economical crisis, the indexation may be postponed or limited by the government, so that there is not such much pressure on companies to increase the remunerations during such a period. Some politicians criticise the indexation, because it pushes the purchasing power instead of solving the problem (Putz, 2013, 188).

2.2. Review of reward systems

In this and the following sections a definition of rewards will be given, some objectives of rewards will be clarified and a reward system will be investigated.

Before it comes to a reward, the company can use impulses to influence the staff's behavior. Such impulses used to encourage or incite an action are called incentives (Brecht, 2012, 163). The company defines individual and corporate goals that should be achieved. The incentives are the motivational force to trigger attitudes to accomplish the targets (Kressler, 2001, 65). Based on the reactions relying from the incentives, a reward is given for recognition and for effort (Loffing, Loffing, 2010, 158).

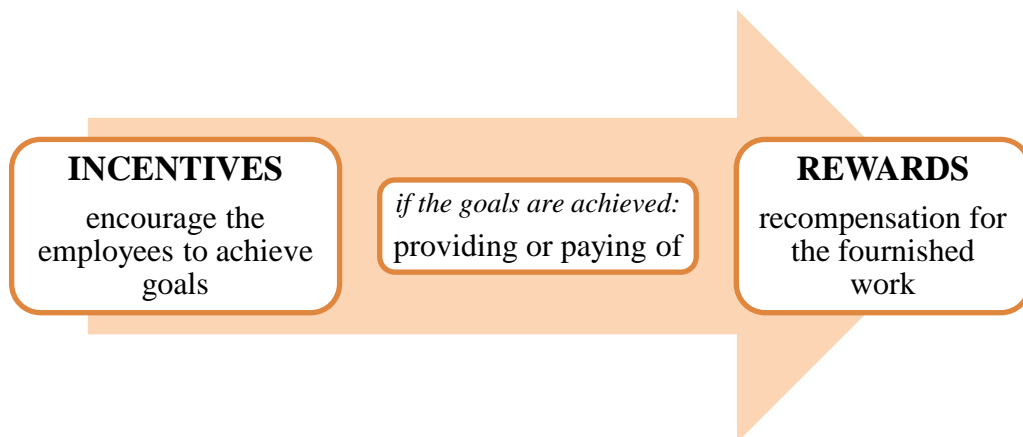


Figure 1: Incentives and reward, own illustration

Reward is defined as

... something that you are given, for example because you have behaved well, worked hard or provided a service to a community (Collins Cobuild, 2006, 1238).

Given this definition, rewards are the tangible and intangible items perceived as a recompensation for the work that has been done by the employees (Brecht, 2012, 163). The word reward stands for a deserved award and expresses a legal pay (Kressler, 2001, 152).

A reward will be awarded if the requirements the company has set have been met. Accordingly, primary is to honour the employees for the achieving those goals. For this effort, an increase of the performance level and the motivation level is needed (Holtbrügge, 2015, 196). But only employees who have the right skills can deliver a higher performance (Brecht, 2012, 163). Those skills can be learned by the employee through continuous education. As the company needs to achieve the fixed goals, it is essential that investments in personal development are done (Kressler, 2001, 62). Therefore some employment contracts may include that all the training costs will be paid by the company (Putz, 2008, 87). The possibility itself for further education is generally already appreciated by the staff and viewed as a reward, because the employee can exploit his potential (Kressler, 2001, 62). If the performance skills amongst employees are given, rewards can be defined and thus the corporate goals can be achieved (Brecht, 2012, 163).

2.2.1. Objectives of rewards

The management has some objectives to use rewards. The primary objective is to achieve a sustainable motivation from the employees. So it is obvious that rewards serve as a management tool to the company (Jung, 2008, 563). Through the attribution of a reward, the management tends to keep its employees (Thommen, Achleitner, Gilbert, Hachmeister, Kaiser, 2017, 400). Because it is not possible for the company to contractually bind the employee, they try to offer the best rewards in order to cause staff loyalty (Putz, 2008, 86).

In some cases, the management links rewards to a certain period of service affiliation in order to prevent employees from quitting (Putz, 2008, 87). This is why another reward objective is the decrease of the fluctuation rate and to reduce dissatisfaction amongst employees (Schmeisser, Andresen, Kaiser, 2013, 239f).

A next reward objective is to attract new employees (Thommen, Achleitner, Gilbert, Hachmeister, Kaiser, 2017, 400). Rewards are meant to stimulate potential employees and to make them decide to join the company (Loffing, Loffing, 2010, 157). Rewards should make the company attractive and enhance its image (Brecht, 2012, 166).

A reward is additionally used to express recognition and honor to the employee (Kressler, 2001, 54). A last objective which has to be mentioned is that rewards are used to stimulate positive employee decision takings in the company 's interest (Laux, 2006, 24).

2.2.2. The development of a reward system

Every company has to develop its individual reward system. There is no master guideline which each company can apply (Schmeisser, Andresen, Kaiser, 2013, 239). It is important to provide suitable rewards which fulfil the objectives as described in the last section.

When defining the reward system, the company can involve the staff in the decision making. In this case, the management makes a preliminary choice on the rewards. The employees determine via a questionnaire or an interview their preferences (Loffing, Loffing, 2008, 158). The company then takes into account the results when establishing a reward system. This involvement may increase the appreciation of the rewards which will raise employee satisfaction and motivation (Loffing, Loffing, 2008, 158).

In addition, an efficient reward system is transparent and flexible. It has to be understandable for the staff and changeable in certain situations (Welge, Al-Laham, 2013, 537).

A reward system with a selection of some rewards will be presented in this thesis:

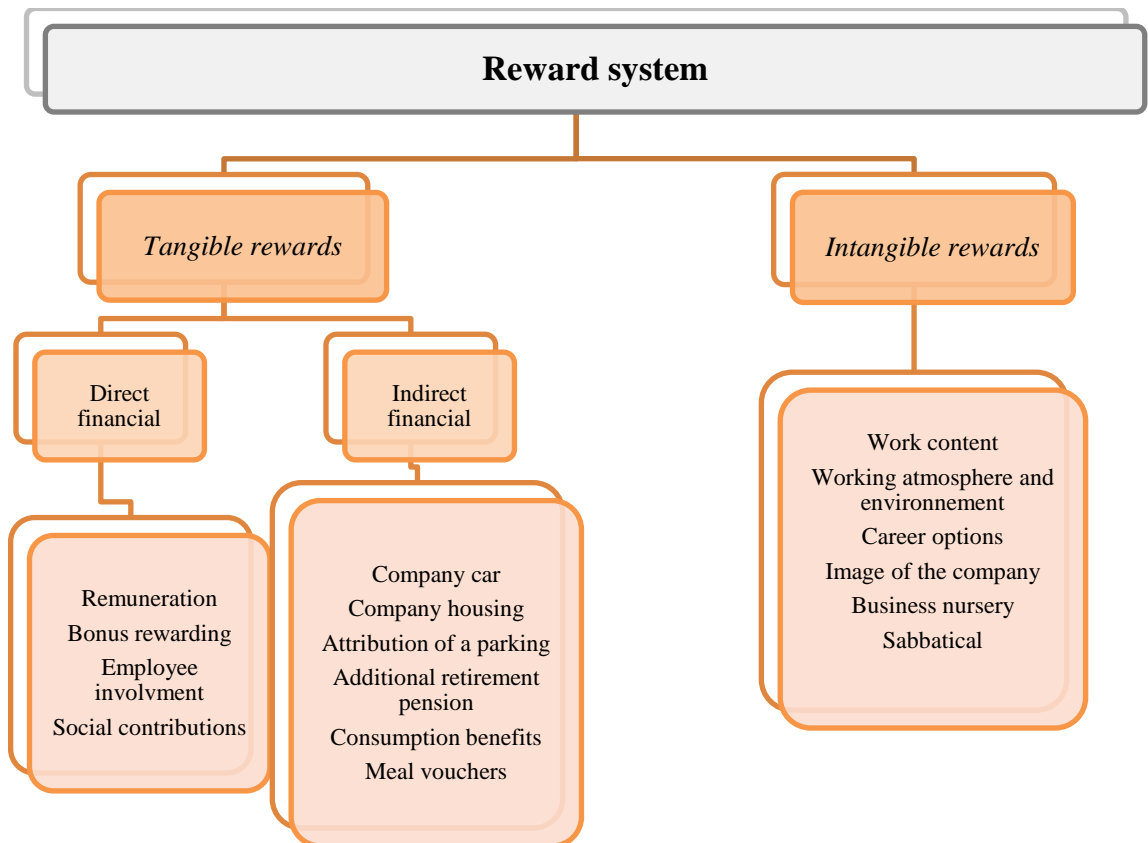


Figure 2: Example of a reward system, own presentation based on Welge, Al-Laham, 2013, 538

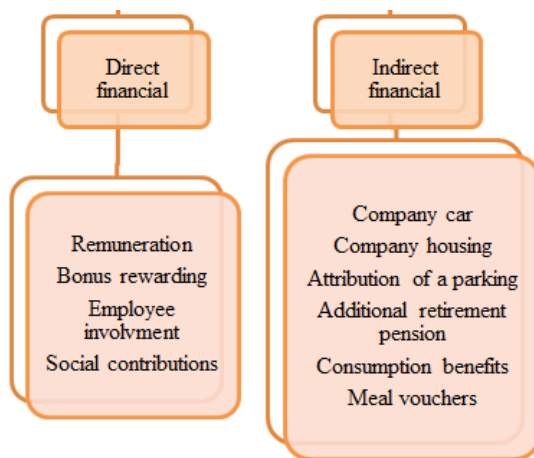
The monetary resources are used by the management to set tangible rewards. Intangible rewards are all the other options that are not monetary (Thommen, Achleitner, Gilbert, Hachmeister, Kaiser, 2017, 400). However, some rewards can be of an intangible nature and later show a monetary effect, such as a promotion (Thommen, Achleitner, Gilbert, Hachmeister, Kaiser, 2017, 400). Furthermore, the company has to decide whether it is more useful to provide a short-term or a long term reward, like the payment of an annual bonus or a bonus program that can last for several years (Kressler, 2001, 173).

Regarding the reward systems, one of the most successful types of rewards is money, a universal currency, because this can be exchanged for primary things like food, housing, and clothing (Wolff, Lazear, 224). Nevertheless, this is by far not the only option to reward an employee.

2.2.3. Tangible rewards

One category of the incentive program is the tangible rewards. This concerns the rewards which have a monetary character. A distinction has to be made between direct financial and indirect financial rewards (Welge, Al-Laham, 2013, 537).

For the management it is easier and more flexible to use money as a reward than indirect financial methods which may not be implemented or removed so quickly (Laux, 2006, 24). The time and effort to give the employee a direct financial reward is usually lower than to provide a company car for example (Laux, 2006, 24).



A tangible reward that every employee receives is the monthly remuneration. The company has to determine the appropriate remuneration form, as described in section 2.1.; direct financial and indirect financial rewards are then added to the remuneration form. In the following sections a selection of usual tangible rewards is presented.

2.2.3.1. Bonus rewarding

Bonus rewarding is when a bonus is attributed to the employee. It is a direct financial reward. The goal of the management when rewarding an employee by paying a bonus is to honour the employee, to increase the performance level and to higher motivation. In

addition such bonuses are used to regulate the behaviour at work, such as reducing the time of absence (Putz, 2013, 183).

In Luxembourg, there are two categories of bonuses: the free and the compulsory bonuses (Putz, 2013, 181). Collective agreements often contain the payment of compulsory bonuses, whereas it is very rare that a bonus is prescribed already by law.

The management can freely determine a clause in the employment contract that provide bonuses to the employee. In this case, the company links the payment of bonuses to conditions and generally doesn't fix an amount, but the amount remains variable, which means that it could even be zero (Putz, 2013, 182).

The monthly remuneration is often the starting point for the calculation of the amount of a bonus (Putz, 2013, 182). As various bonuses can be received by an employee based on different criteria and calculations, some common bonuses are presented in detail:

➤ **Annual sales bonus**

A bonus regularly paid in Luxembourg is related to the annual sales or to the annual earnings of the company. The company can decide about the distribution of a percentage of this amount to the staff (Putz, 2013, 183). This bonus is in most cases only distributed when the company achieves a surplus (Putz, 2013, 183). The annual sales bonus reward has a short term character (Schmeisser, Andresen, Kaiser, 2013, 164). Employees remunerated by the time wage or piecework form are in general eligible to receive this bonus (Dincher, 2014, 284).

➤ **Performance bonus**

Another bonus often paid in Luxembourg is based on the employee's individual performance. As this reward is linked to goals, activities, projects or results, it is necessary that the company clearly identifies the measurement methods of the performance (Laux, 2006, 26). Often at the beginning of the year, the management sets specific goals for each employee. In most cases, an evaluation at the end of the year verifies the target goals (Putz, 2013, 183). If the goals have been fulfilled and/or the evaluation is positive, the

payment of this bonus reward follows (Putz, 2013, 183). Lots of companies are doing both: setting goals and undertaking evaluations.

➤ **Behavioral bonus**

The payment of a bonus can be fixed on the behaviour of the employee. For that reason the aim of the behavioural bonus is to encourage an employee to behave differently (Putz, 2013, 183). This can be based on quality, like for example when a bonus is paid when the products show better quality, or if a reduction of material errors has been achieved (Jung, 2008, 594).

➤ **Saving bonus**

The saving bonus is based on savings that the company accumulates. For example when an economy of a production factor is realized such as a reduction of the energy or the maintenance costs (Jung, 2008, 594). This bonus can additionally be used to honour staff members who have a low absence rate for encouraging them to stay at a minimum level of sick days (Putz, 2013, 183). Because in the case of an absence, the remunerations continue to be paid, even though no performance is done by the employee during that time (Brecht, 2012, 155).

➤ **Vacation and Christmas bonus**

Those two bonuses are frequently applied and are generally fixed amounts for every employee (Putz, 2013, 182). A regulation to attribute this type of bonuses is frequently posed in collective agreements (Drumm, 2005, 613).

➤ **13th and 14th month bonus**

Very common in Luxembourg are bonus payments that are called 13th and 14th month salary. The monthly remuneration is the indicator when determining the amount of those bonuses (Putz, 2013, 182). Numerous collective agreements contain clauses that make the payment of those bonuses compulsory (Drumm, 2005, 613).

However, it is important that the calculation of the bonus is not complicated and the beneficiary understands the reasons for the bonus rewarding payment (Dincher, 2014, 286). It is important that the company controls the increase of the amount of the bonus to let a margin for future raises. To further improve the employees' willingness to work for the company and to put in more effort and motivation, there must always be a margin for future monetary raises of the bonuses amounts (Dincher, 2014, 286).

Bonuses must be paid no later than the first two months following the end of the financial year of the business (Putz, 2008, 192). The additional remunerations are subject to taxation and social charges (Drumm, 2005, 597).

2.2.3.2. Employee involvement

Employee involvement is a variable direct financial reward. This is based on the performance of the company and not on the employee's (Stock-Homburg, 2010, 425). The management uses this reward to simplify an identification with the company and at the same time, to strengthen the relationship with the employee (Stock-Homburg, 2010, 425). There are two options: capital involvement or profit sharing.

A capital involvement is the best option for companies listed on the stock market (Kressler, 2001, 194). In principle, every employee can be offered a participation, but that is more likely to happen in management positions (Stock-Homburg, 2010, 426). The employees have to buy their part in the company through shares. Various corporate programs provide employees the possibility to save a part of their remuneration or bonuses to buy shares at a favorable price (Kressler, 2001, 194).

Many companies also give away their shares free of charge, especially to employees who celebrate a long affiliation to the company (Kressler, 2001, 194). This reward type turns the employee into a co-owner giving a direct benefit of the profits, but also makes him liable for the debts (Stock-Homburg, 2010, 426). The joint ownership forms a common interest and an performance incentive (Kressler, 2001, 194). The employees give the

company capital for a certain period of time and are rewarded with dividends and, depending on the agreement, the right of co-determination (Stock-Homburg, 2010, 426).

The second option of employee involvement is through profit sharing. Profit sharing is defined as

A system by which all the people who work in a company have a share in its profits (Collins Cobuild, 2006, 1141).

The amount of the profit sharing varies from year to year. The company cannot always announce the calculation of this reward due to sensitive data that cannot be brought to the competitors and thus, cannot be made public (Kressler, 2001, 191). This involvement option depends on the achievement of the corporate goals the company has defined (Thommen, Achleitner, Gilbert, Hachmeister, Kaiser, 2017, 415). Those goals cannot be directly influenced by the employees (Stock-Homburg, 2010, 427).

If a company shares the profit with the middle and senior management, the intention is to increase the performance level of those employees and to consolidate the relationship. If the profit is shared with the whole staff, the management pursues goals such as improving the company's image (Thommen, Achleitner, Gilbert, Hachmeister, Kaiser, 2017, 415).

This employee involvement is also intended to raise the interest in the company's economic situation in order to indicate how important the employee is for the success of a company and to remain competitive (Kressler, 2001, 191).

2.2.3.3. Social contributions

The remuneration amount indicated in the employment contract is the gross wage; a few contributions are deducted and the net remuneration amount is determined (Putz, 2013, 189). Social contributions are partly regulated by law, partly determined by collective agreements, and partly voluntarily offered by the company (Jung, 2008, 603).

In Luxembourg, the first legal insurances for employees were introduced at the beginning of the 20th century (Thewes, 2011, 58). With legal social contributions, the legislator wants to hedge the basic risks of the employee and his family (Jung, 2008, 603). Those social insurances are not negotiable between the employee and the company, but must be

complied to as prescribed by law (Jung, 2008, 603). The amounts of the social contributions are passed by the company to the different public institutions in Luxembourg.

The contributions for the health insurance to pay by the employees is 3,05 percent of the gross salary (Putz, 2013, 189). The law regulating the health insurance was signed in Luxembourg in 1901 (Thewes, 2011, 58). The pension insurance is the largest social contribution in Luxembourg; 8 percent are deducted from the remuneration wage of the employee. It was only in 1960, when the pension fund was created in Luxembourg and at first, only for trade and industry companies (Thewes, 2011, 157). The pension insurance is intended to protect employees after their working life by guaranteeing their living standards. This insurance also affects employees who have been retired due to a disability (Jung, 2008, 606). The smallest part of social insurances is the long-term care insurance, which represents 1,4 percent per month of the gross salary (Putz, 2013, 189).

The company has to contribute their part of the legal social contributions and some additional other insurances (Putz, 2013, 189). An example is the accident insurance which was introduced in Luxembourg in 1902 (Thewes, 2011, 58).

Social contributions can also be attributed with the application of a collective agreement (Jung, 2008, 607). In general, such contributions are more about social issues than about insurances, like for example the definition of the working hours and the number of vacation days (Jung, 2008, 607). Trade unions campaign for those types of contributions.

Another option which companies have is to voluntarily give social contributions to the employees (Jung, 2008, 607). Those are not tied to the employee's performance and are very costly for a company (Kolb, 2010, 367). It is precisely this individual design that can be used by the company to honour the employees and to be competitive (Jung, 2008, 607). Amongst others, such social contributions include travel allowances, sport packages, additional insurances, and anniversary bonuses (Kolb, 2010, 367). Often company contributions are little noticed and even taken for granted by the employees (Kolb, 2010, 368). As a result, this reward form has in general little impact on employee motivation (Kolb, 2010, 368). In addition, for employees the social contributions are only of limited interest, because often those promises are not stipulated in the employment contract and thus, the right to claim them expires (Stock-Homburg, 2010, 429).

2.2.3.4. Additional retirement pension

The Luxembourgish government is likely to have difficulties with the funding of the statutory pension schemes due to an increase in life expectancy (Doyen, 2007, 12f). A reward in the form of an additional pension is therefore interesting for employees, even though, this reward is not immediately paid, but postponed to a later date (Kressler, 2001, 171).

In Luxembourg, the additional pension system is regulated by a law that dates back to June 1999. An efficient framework was necessary to manage the promises made by the companies in order to protect the affiliates (Doyen, 2007, 15). Today this law exclusively concerns additional pensions offered by the company or a group of companies (Doyen, 2007, 19).

Once a company has decided to introduce such a system, the law sets the rules. This is particularly important for the financing of those pensions (Doyen, 2007, 25). The company can either undertake an internal finance, through a provision, or resort to a pension fund or insurance institute to establish an external financing of that reward (Doyen, 2007, 25). In addition, it is mandatory that the company, willing to offer this reward, is affiliated to an insolvency insurance (Doyen, 2007, 27).

Such pensions provide benefits for the affiliated employee in the case of retirement, disability, or death (Doyen, 2007, 31). Additionally, this reward form is a possibility for the company to bind the employees for example to an affiliation to the pension system after X years of company service (Schmeisser, Andresen, Kaiser, 2013, 240). When signing an additional pension contract, the company must issue a copy of the rules to the affiliate. Moreover, once a year, the employee will receive a recap of the retirement benefits to that date (Doyen, 2007, 52). The personal contributions to such a plan are automatically subtracted from the employee's remuneration (Doyen, 2007, 58).

2.2.3.5. Company car

An indirect financial reward is the provision of a company car. A company car is a car that belongs or has been leased by the company in order to provide it to its employees for business and private drives (Art. 2, Règlement grand-ducal 23.12.2016). The car is

voluntarily offered by the company, but contractually regulated. In addition, the company car is subject to tax retention on the total remuneration of the employee (Art. 1, Règlement grand-ducal 23.12.2016). After a tax reform in 2017 in Luxembourg, all company cars with zero emission benefit from a tax allowance. It is the government's goal to encourage companies to offer less polluting cars (Art. 9, Règlement grand-ducal 23.12.2016).

In Luxembourg, the employee contributes in general to the leasing costs which include in general the maintenance costs. If not, the company may require participating in those costs (Art. 4, Règlement grand-ducal 23.12.2016). At the end of the leasing contract, the employee has in general the possibility to buy the car at a preferential price. This can be viewed as an additional reward (Art. 5, Règlement grand-ducal 23.12.2016). A downside of this reward is that in the case of a termination of the employment contract, the law states that the employee is obliged to reimburse the loss of the value in the event of a sale of his company car (Putz, 2008, 87).

2.2.3.6. Company housing

Concerning this type of reward, the company chooses to rent or to buy a house in order to allocate it to the employees (Art. 2.1 and 2.2, Circulaire L.I.R. n°104/1, 2015, 4). Here, the employee is rewarded by getting a company housing for free or at a reduced rent. The effort to provide such a company housing is however greater than a simple money payment (Laux, 2006, 24).

The lease contracts of the house are to the name of the employee while the company is responsible for paying the monthly rates (Art. 2.1.3., Circulaire L.I.R. n°104/1, 2015, 4). In general, the company requires a participation of the employee for the renting costs (Art. 2.1.1., Circulaire L.I.R. n°104/1, 2015, 5). If the company makes the flat available for free, then there will be no income from this lease (Laux, 2006, 169). Sometimes, the housings are even furnished. When an employee dies, the house must be made available for free for the survivors until the expiry of a period of generally three months (Code de Travail Art. L-125-1 (2) 3).

2.2.3.7. Attribution of a parking

Another type of a tangible reward is the attribution of a parking space. The company may require a fee for the parking. Sometimes this reward may be seen as banal, but a parking spot may mean something special for an employee (Rohrschneider, 2011, 158). This may be seen a status symbol and contributes to the feeling of being valuable (Brecht, 2012, 165). The sense of this status can be increased even further, for example, when the parking space is located directly at the entrance of the company building and that will get the attention of others (Rohrschneider, 2011, 158). A parking space also promises to increase the time flexibility of the employee (Rohrschneider, 2011, 158).

2.2.3.8. Consumption benefits

The next tangible reward is to provide consumption benefits to the staff. In Luxembourg, a new concept called Sympass was launched by the company Emresa in 2003. It is a card, distributed to the company's employees, which gives a lot of direct benefits when buying goods and services (Emresa, retrieved: 09.01.2018). The goal of the concept is to increase the purchasing power of the employees and to provide a sense of recognition. (Emresa, retrieved: 09.01.2018). The Sympass card offers discounts for certain fitness centers, wellness institutes, cinemas, clothes shops, hotels, amusement parks etc (Emresa, retrieved: 09.01.2018). The holder of the card benefits from a price reduction.

By using an external supplier like Emresa, with its card Sympass, the company does not need to invest too much time in the development of such a system internally (Emresa, retrieved: 09.01.2018). As this service has to be paid to the supplier, it is important for the company to verify the use of this reward type.

2.2.3.9. Meal vouchers

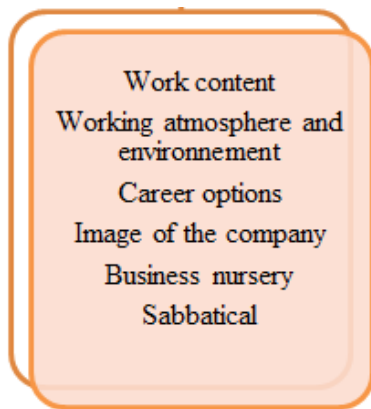
A very common tangible reward in Luxembourg are meal vouchers. One of the main suppliers in Luxembourg of such vouchers is the company Sodexo. Employees can exchange their checks in more than 1500 points of sale in Luxembourg, including restaurants, grocery stores, and supermarkets.

It is to say that the use of the meal voucher is exclusively reserved for the purchase of groceries (Sodexo, 2017, 2). A significant advantage of meal vouchers for the employees is the increase of the purchasing power. This comes from the fact that meal vouchers are not taxable, it is a cash benefit which is exempt from taxation (Art. 1, Règlement grand-ducal du 29.12.1986). The maximum value of 10,80 euro per voucher is a net value. A participation of the employee of 2,80 euro can be requested by the employer, but is not mandatory (Sodexo, 2017, 3). The company benefits from a social security exemption on this value. But this reward can only be provided if the company does not have a cafeteria (Art. 3, Règlement grand-ducal du 29.12.1986).

2.2.4. Intangible rewards

Rewards are immediately associated with a financial payment (Kressler, 2001, 154). But even if tangible rewards are in general more interesting for the employees, because they can individually decide what their preferences are and what they wish to do with the money they get, not every company can afford such high expenses (Laux, 2006, 24). And money cannot compensate for boring work (Schmeisser, Andresen, Kaiser, 2013, 241).

This is why tangible rewards are by far not the only possibility to honour an employee, but there are many non-monetary rewards (Kressler, 2001, 154). Therefore, companies provide intangible rewards, which are sometimes even more appreciated by the staff (Loffing, Loffing, 2010, 156). To intangible rewards a rather long-term affect is associated (Loffing, Loffing, 2010, 156). A lot of intangible rewards that do not involve monetary resources are possible (Loffing, Loffing, 2010, 160).



The company can release its innovation and creativity to propose such rewards (Loffing, Loffing, 2010, 160) For example, through flexible working hours and places, like childcare facilities, and sabbaticals, the company can try to bind the employees to the company, because they can combine their private lives with their professional lives (Schmeisser, Andresen, Kaiser, 2013, 240). A selection of common intangible rewards will be presented in sections 2.2.3.1. to 2.2.3.6.

2.2.4.1. Work content

The work content is an intangible reward. When a company gives an employee the opportunity to become an expert or a specialist in a specific field, that may be viewed as a reward (Brecht, 2012, 153). It is the company's goal to develop speed in the execution of quality tasks, in the prospect of reducing the related execution costs (Brecht, 2012, 153). However, it is important that the employee is not too focused only on this specific task, because this can lead to monotony, which will negatively influence the employee's motivation (Brecht, 2012, 153). To avoid such a situation, the company can counteract with three methods, which are job rotation, job enlargement, and job enrichment (Brecht, 2012, 153).

The employee can be rewarded by a job rotation that enables the employee to do other tasks and even to switch from the actual position (Felfe, 2012, 71). This rotation avoids daily uniform tasks without giving more power in decision-making to the concerned employee (Felfe, 2012, 71).

Another option is a job enlargement, where the company offers new activities to the employees which are significantly different from the existing ones (Lindner-Lohmann, Lohmann, Schirmer, 2016, 87). The power of deciding changes slightly with a job enlargement (Felfe, 2012, 71). But the new tasks will have a challenging effect on employee motivation (Schmeisser, Andresen, Kaiser, 2013, 242).

A last option to optimise the work content is the job enrichment. Through this method the company can reward the employee by attributing more responsibilities and important decision-making power (Lindner-Lohmann, Lohmann, Schirmer, 2016, 88). This provides variety to the work content and is meant to expand the employee's social environment (Schmeisser, Andresen, Kaiser, 2013, 242). Job enrichment intends to provide the perception of being able to perform a task autonomously (Schmeisser, Andresen, Kaiser, 2013, 242).

Complicated corporate structures have been simplified by many companies in recent years in order to be able to offer a more direct communication (Kressler, 2001, 62). Untighten controls, giving more feedback and recognition is another reward form resulting from the work content (Kressler, 2001, 61).

2.2.4.2. Working atmosphere and environment

For all employees, regardless of their age and their position, the atmosphere and the environment at their workplace are important. The working atmosphere can be very decisive for the performance and motivation of an employee (Brecht, 2012, 148). It is the feeling of an employee towards his colleagues and towards the whole company that influences those levels. High fluctuation rates as well as numerous illness reports are generally a clear indication that the working atmosphere is currently not the best (Brecht, 2012, 148). For a positive perception of the working atmosphere the company can adapt the behaviour and technics of the leadership (Brecht, 2012, 148). Team-building is another option to re-establish a good atmosphere.

The workplace environment should be nice and secure. Small things can make a big difference. Better lighting, a nice picture on the wall, a houseplant, new technical equipment, protective clothing are just a few examples (Lindner-Lohmann, Lohmann, Schirmer, 2016, 91). By improving the workplace, the employee has less stress which is good for his health (Felfe, 2012, 97). Work flexibility has experienced a great boom. Working from home is for that reason another option to provide a better environment (Loffing, Loffing, 2010, 162). Additionally, the environment may be improved through work time models giving the staff more possibilities to better organize their time. This

will have a positive effect on the work-life balance (Schmeisser, Andresen, Kaiser, 2013, 242)

2.2.4.3. Career options

When a job is associated with great career opportunities and earning a title, then the workload is generally high (Dilger, 2010, 60). Employees who are rewarded with a career are usually very active people, who put a lot of energy into their work (Dilger, 2010, 61). Furthermore, employees who pursue that reward should clearly choose that path and orient their lives accordingly to their decision. Of course, they can have family and career, but sacrifices have always to be made on the one or the other side (Dilger, 2010, 63). Once the company has given a title this will hence drive forward the employee's career, and so it cannot be easily undone. It can happen that the employee's performance decreases, because he has achieved his goal. It is of course possible to increase the career level again and again, but this can be very expensive for the company (Dilger, 2010, 62f).

2.2.4.4. The company's image

The company's image is an intangible reward (Drumm, 2005, 468). The image of the company reflects the opinion of the employees about the business. The company has a better chance of finding new employees if it has a good image (Holtbrügge, 2015, 85). If a company wants to improve its image, it can draw on the concept of employer branding, which will not be analyzed in detail (Holtbrügge, 2015, 87). It is important for a company to constantly work on a positive image (Brecht, 2012, 166). If the rewards are not perceived by the employees, then that can in return lead to a negative image (Brecht, 2012, 166).

2.2.4.5. Company nursery

In today's society, leisure, family, and work are no longer separated (Loffing, Loffing, 2010, 116). If the employee is satisfied with his free time, this will also have a positive effect on his working life (Loffing, Loffing, 2010, 116). An intangible reward relates to the company's operating performance in the social sector (Brecht, 2012, 166). It is the

support an employee gets in relation to his family project like for example in the form of a company nursery or other methods of childcare (Brecht, 2012, 166). The company grants the employee a childcare facility (Holtbrügge, 2015, 214). This will cost the employee less stress and will have a positive impact on his work-life balance and his motivation (Schmeisser, Andresen, Kaiser, 2013, 242).

2.2.4.6. Sabbatical

A sabbatical is defined as

A period of time during which someone... can leave their ordinary work and travel or study (Collins Cobuild, 2006, 1271).

This reward is about long-term holidays and the flexibility to take them (Drumm, 2005, 195). Sabbaticals are a component of the principle of the work-life balance. The employee can be released from his job to take a break (Stock-Homburg, 2010, 275). Sabbaticals should improve the working conditions and are classified as an intangible reward (Schmeisser, Andresen, Kaiser, 2013, 242). A sabbatical can be part of the work schedule. Depending on the agreement with the management, the employee will be fully, partially, or not honored during this release (Drumm, 2005, 195).

Since the concept of sabbaticals is usually not financed by the company, those offer time saving accounts (Stock-Homburg, 2010, 751). The employee can credit a part of his remuneration to this account in order to be paid continuously during his absence (Stock-Homburg, 2010, 751). A guarantee that the employee can return to his workplace is given by the company. In most cases, the employees use sabbaticals to travel or to continue their education which in return will have a positive effect on the job that will be continued (Drumm, 2012, 314).

2.2.5. Cafeteria system

When the company has defined the tangible and intangible rewards it can opt to use the cafeteria system for the implementation. It is a system commonly used in the US which is slowly introduced in European countries (Loffing, Loffing, 2010, 159). In some companies, the system is already in use, but often without calling it like that (Kolb, 2010,

371). This system offers employees the possibility to select the rewards they are interested in (Loffing, Loffing, 2010, 159). Such a system should be applied to the whole staff which may be difficult when a collective agreement is in application (Kolb, 2010, 371). For such individual choices a cost limitation is determined by the management (Kressler, 2001, 160). Within this given budget, the employee can autonomously and flexibly look for the needed reward to increase his quality of life (Kolb, 2010, 370).

The employee can adjust the rewards to his personal situation and change them if his situation varies, for example in terms of family development (Kressler, 2001, 160). In general, the company should give the employees the opportunity to change the rewards every three years (Kolb, 2010, 371). The choices are based on performance and agreements. Deciding on needs and on own preferences is a big advantage for the employees (Loffing, Loffing, 2010, 159).

However, such models are difficult to implement in a company, because they require enormous planning and huge administration efforts (Kressler, 2001, 160). In addition, a detailed explanation of the rewards, sometimes even an advisory service, has to be offered by the company to the employees (Kolb, 2010, 371).

2.3. Motives and motivation in the work process

A motive arises through a need which an employee desires to satisfy by a certain action. An action will be taken when an appropriate incentive is given (Nicolai, 2006, 114).

To fulfil the motives the company uses incentives to provoke employee motivation (Loffing, Loffing, 2010, 158 and Weibler, 2001, 206).



Figure 3: Motives and motivation in the work process, own presentation based on Loffing, Loffing, 2010, 158

It is therefore primarily useful for the management to know the essential motives of the employees, because since there are many different motives, it is impossible for the company to know them all (Loffing, Loffing, 2010, 157).

It is undeniable that people have to work in order to earn money. This is why money has always been considered as the main motive to work (Schmeisser, Andresen, Kaiser, 2013, 176). Everyone, as far as one is not self-supported, needs money to finance life. Those times when people were self-supported are long gone in Luxembourg. In 2015, there were only 3 906 family farm workforces left (Statec, 2017, 27). Compared to the year 2000 when there were 5 554 active workforces in agriculture. The reduction of this activity area becomes clear. The fact that people are no longer self-supported, but have to go to work in order to earn a living, underlines the fact that the employment number in agriculture has increased in this same period of time, from 650 in 2000 to 926 in 2015 (Statec, 2017, 27). Doing a job serves to satisfy the needs that have an economic character (Felfe, 2012, 15).

However, some activities highlight that money is not always the main motive for work. In Luxembourg, lots of people voluntarily work for associations. A 2015 study by Statec shows that the participation in social and cultural activities of the Luxembourgish population involves almost half of the population (Osier, Di Falco, 2017, 3). It is just to distinguish between formal and informal voluntary work. The formal volunteer is a person who is part of an association, which were 37 percent of the study participants, who do for example cultural or charitable work (Osier, Di Falco, 2017, 3). The informal volunteer is related to activities outside of an association and 30 percent of the participants do that, like for example accompanying people to the shopping mall (Osier, Di Falco, 2017, 3).

The essential motives that push people to work and the theoretical background of motivation are analysed in the following sections.

2.3.1. Motives to work

Everything that a human does has a reason, a motive (Kressler, 2001, 13). Given this, motives are the reasons which prompt a person to act (Nicolai, 2006, 114). Therefore, the

fact of fulfilling a specific task at work activates a motive (Kressler, 2001, 13). A multitude of motives arise amongst employees: Hence, the motives are divided into categories: primary, secondary, physical, psychic, social, intrinsic, and extrinsic (Jung, 2008, 370). Because this thesis is focused on the work motives, the intrinsic and the extrinsic motives will be analysed.

In a working situation, intrinsic motives are satisfied by the task itself (Wolff, Lazear, 2001, 13). The intrinsic motives are satisfied by intangible rewards which are above all about the content of the work (Rosenstiel, 2015, 54). The extrinsic motives are satisfied by the consequences of the work execution (Wolff, Lazear, 2001, 13). The tangible rewards are used to fulfil those motives (Rosenstiel, 2015, 54).



The next illustration presents the most common motives for the work process based on a study of the year 1980 (Jung, 2008, 371):

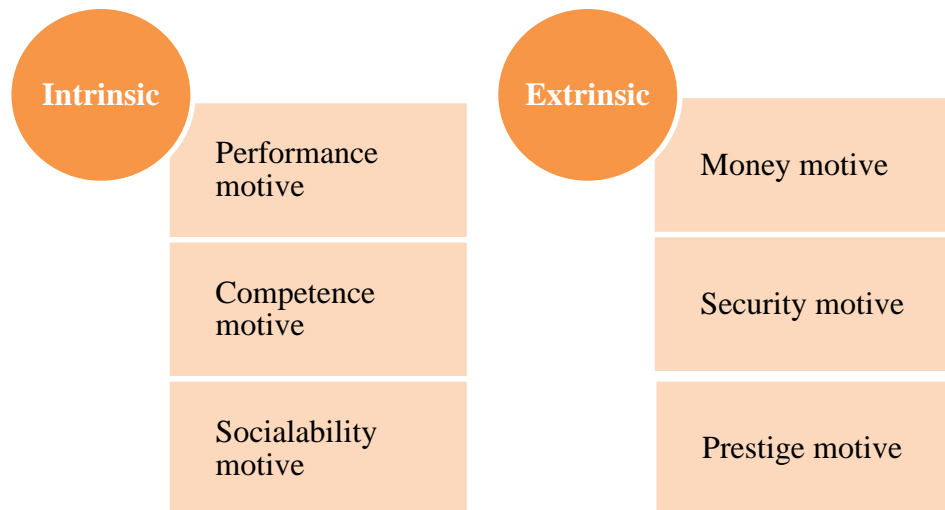


Figure 4: Work motives, own presentation based on Jung, 2008, 371

Those work motives go back to the meaning of life to carry out an activity (Rosenstiel, 2015, 54). In accordance with changes in society, the employee's motives can also change. The work motives are therefore not stable, but variable (Rosenstiel, 2015, 58). The extrinsic and intrinsic work motives will be presented in the next sections.

2.3.1.1. The performance motive

The first intrinsic motive is the performance motive (Schmeisser, Andresen, Kaiser, 2013, 177). This is about the fact that an individual wants to achieve a performance goal that he has set himself (Jung, 2008, 371). The expression and strength of this motive varies from employee to employee. Tasks set at work are viewed as a challenge and the employee will try to outdo himself (Nicolai, 2006, 116). Very difficult tasks evoke an enormous stimulus and one's own performance has to be better in comparison to other employees (Jung, 2008, 371). In general, simple tasks are not interesting for employees with a

performance motive and money serves for these employees only as an assessment tool to evaluate their own performance (Nicolai, 2006, 116).

2.3.1.2. The competence motive

The second intrinsic motive is the competence motive which is related to employees who wish to be an expert in their area of work and to control the task (Jung, 2008, 372). For those employees, it is important to be able to develop themselves at work and to have an influence on the decisions made in the company (Nicolai, 2006, 116). At work, employees with this motive are not suitable if the work is unexceptional, strongly controlled, or if the tasks constantly change, because otherwise the employee may have the feeling to be no longer competent (Nicolai, 2006, 116).

2.3.1.3. The sociability motive

The sociability motive is the third intrinsic motive. In general, an individual is not a loner and therefore, wants to belong to a group, in order to interact and to receive recognition (Jung, 2008, 372). The motive arises from the desire for contact (Schmeisser, Andresen, Kaiser, 2013, 177). This motive is related to an employee who likes to talk to the colleagues and to work in a team (Rosenstiel, 2015, 56). The company supports this sociability by organizing corporate events such as a Christmas party and by providing more possibilities to work on projects as a team (Jung, 2008, 372).

2.3.1.4. The money motive

The first extrinsic motive is the most obvious motive related to the execution of a job; it is the money motive. Money can cause tangible and intangible incentives and is therefore a difficult motive to estimate (Jung, 2008, 372). For one person, it is the simple exchange of work for payment, while for others, money represents the performed work and corresponds to the recognition (Jung, 2008, 372). The money motive is more pronounced amongst younger employees, because they usually don't have much experience (Jung, 2008, 372). Senior employees have in general little interest in the money motive, because

they often have savings and use them to fulfil their needs (Jung, 2008, 372). In addition, senior employees will accept their salary at a certain time, because they estimate their salary as sufficient and so they cannot be attracted by a financial incentive influencing their remunerations or bonuses (Jung, 2008, 372).

2.3.1.5. The security motive

The next extrinsic motive arises from the desire to have a safe workplace (Jung, 2008, 373). This motive is also related to the fear of being unemployed (Rosenstiel, 2015, 53). When this motive is too strong, it may be that this prevents the employee from being creative and from showing self-initiative (Nicolai, 2006, 116). The companies and the government are both doing a lot. Numerous laws, regulations, and trade unions contribute to providing the employees with a safe workplace (Jung, 2008, 373).

2.3.1.6. The prestige motive

The last extrinsic motive is about the fact that some employees want to be different from their colleagues and want their behaviour to be honoured by glory and prestige (Jung, 2008, 373). Prestige is also about the employee's reputation, and not limited to the colleagues at work, but more importantly how he is recognized in the family and the neighbourhood (Rosenstiel, 2015, 54). The occupational position is brought to validity (Rosenstiel, 2015, 54). It is a motive that is more likely to occur amongst young employees, because the older generation has already often reached the top of the prestige ladder (Jung, 2008, 373). Employees who are motivated by this will take on a job in the first instance to quickly advance on the career ladder (Jung, 2008, 373).

2.3.2. Motivation theories

One of the primary tasks of the management is to maintain the motivation of the employees in order to reach the company's goals (Weibler, 2001, 203). Optimally, the management should increase this motivation and transform it into performance. The commitment of the employees is often critical for the success of a business (Weibler,

2001, 204). But if a company tries to influence its employees, they react individually (Kressler, 2001, 19). Some will be highly motivated and eager to meet new challenges, whereas others are more likely to react in a frustrated manner and to reject it altogether (Kressler, 2001, 19).

The term motivation comes from the word *movere*. Because motivation cannot be measured directly, motivation theories have been established (Weibler, 2001, 204). Motivation theories are about the development of strategies that should provide an explanation as to how to raise the performance amongst employees by activating internal and external incentives (Holtbrügge, 2015, 13). Those approaches assume that people's needs may stay unchanged over a longer period of time and that a goal is being pursued (Holtbrügge, 2015, 13).

In this thesis, two motivation theories are analyzed. Until now, there are several theories which try to explain human behaviour and entrepreneurial performances. The motivation theories explained here are, on the one hand, a content theory and on the other hand, an expectancy theory (Jung, 2008, 382). The theories will help to understand the concept of motivation (Kressler, 2001, 51). Given the various theories, there is no unique reliable method of motivation that could be applied to all the employees (Kressler, 2001, 51). The theories, however, provide good approaches for the company to design its own measures of motivation and to better translate them into practice (Kressler, 2001, 51).

2.3.2.1. Maslow's hierarchy of needs

A content theory of motivation is the hierarchy of needs, which was conceived in 1943 by Abraham Maslow, an American psychologist. This theory wasn't initially developed to understand the motivation for work, but was quickly transferred to this by McGregor in 1960 (Holtbrügge, 2015, 15). Maslow presupposes that people are motivated when it comes to fulfilling specific needs (Holtbrügge, 2015, 15). The concept assumes the existence of needs which can be put into a hierarchical order. The current level must be fulfilled before the higher level becomes a conscious necessity (Holtbrügge, 2015, 16). For Maslow, people pursue only one need range for a certain period of time. That is why the prospect of self-realisation is for Maslow the primary interest in performing a work,

a need that has no limits (Kressler, 2001, 31). The other need ranges are dulled and no motivation comes from them (Holtbrügge, 2015, 197). The levels of needs are represented in the form of a pyramid (Felfe, 2012, 65):

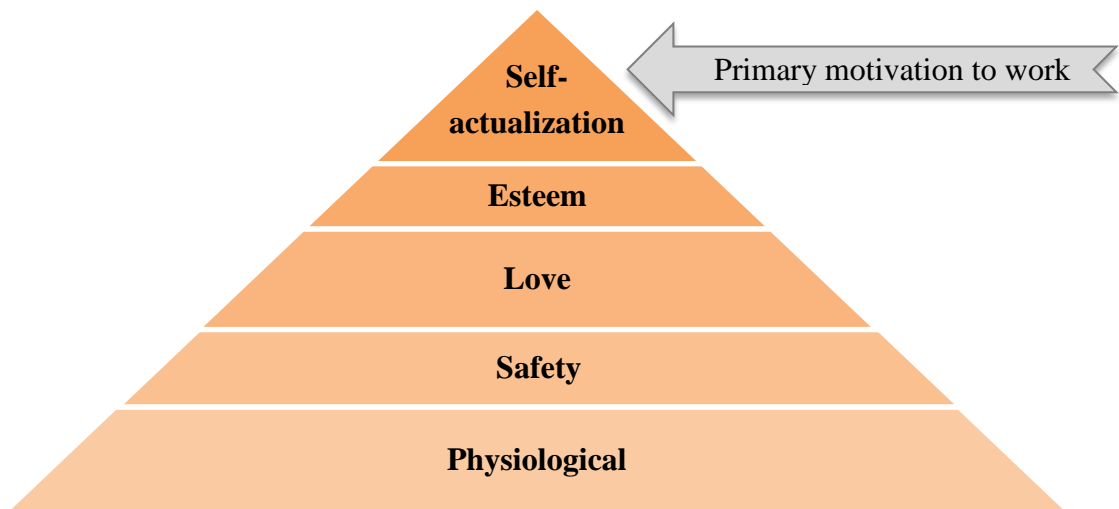


Figure 5: Maslow's pyramid of needs, own presentation based on Felfe 2012, 65

The base of the hierarchy is formed by the physiological needs of a human. This is primarily about ensuring the basic needs like for example drinking, eating and sleeping (Maslow, 2000, 2). When transferring this to the workplace, the first thing that employees ensure is getting a remuneration that is high enough to finance the physiological needs (Holtbrügge, 2015, 15).

The second need defined by Maslow is safety. This level is about protection and preparedness. Transferring this to a work situation means having a secure job (Holtbrügge, 2015, 15). Security also means for the employee receiving a sufficient income, as well as having to fulfil a task without a health risk (Felfe, 2012, 66). This level of needs relates in addition to the protection afforded by law, as well as a degree of business stability and reliability (Kressler, 2001, 31).

The need for love stands for the wish of a social environment. Care and community are important. A good working atmosphere and the corresponding to a group can satisfy the love needs at work (Holtbrügge, 2015, 16). Employees hope for an association in the

coalition in the company (Kressler, 2001, 31). Contact requirements can be fulfilled by the company through open, but also honest communication (Felfe, 2012, 66).

The next level of needs, esteem, is about being valued by other humans. An employee hopes for recognition from his executives (Holtbrügge, 2015, 16). Many employees strive for success, which creates a need of knowledge, power, and prestige (Kressler, 2001, 31). The feeling of esteem can for example be expressed by a title or the providing of a company car (Holtbrügge, 2015, 16).

The highest level of this hierarchy is the self-realization. It is a need which can never be completely satisfied. Self-realization is a motive of growth (Felfe, 2012, 66). Innovation and creativity should be brought to expression (Maslow, 2000, 2). Employees can also strive to reach their life goals on this level (Kressler, 2001, 31). The possibility that an employee can undertake such a self-realization is closely linked to the content of the work explained in section 2.2.3.1. The content of the task itself enables the development of new skills and individual goals may be set (Felfe, 2012, 66).

The lower needs have first to be satisfied in order for higher needs to be activated (Holtbrügge, 2015, 16). According to Maslow's hierarchy, incentives that focus on a level which is not the current need level of the employee will have no effects (Holtbrügge, 2015, 16). Additionally, rewards can show very different effects, depending on the current level of the employee (Kolb, 2010, 392). Also, it should be noted that employees will try to evolve in order to reach the next level of need which will change the way rewards will be interpreted (Kolb, 2010, 392).

2.3.2.2. Porter and Lawler

An expectancy theory of motivation is the model of Porter and Lawler created in 1968. Contrary to content theories, this type of theory is not interested in the content, but in the general process of motivation (Felfe, 2012, 136).

This theory tries to clarify the question of how the motivational process works (Kolb, 2010, 394). The theory focuses on the employee's experiences based on his past and the expectations that result from it. In addition, the result of how a reward is actually valued plays an important role (Kolb, 2010, 394).



Figure 6: Motivational model of Porter/Lawler, own presentation based on Holtbrügge, 2015, 24.

The motivation process starts with the effort that has been made by the employee (Kolb, 2010, 391). It is his skills and energy that help the employee to make such efforts (Holtbrügge, 2015, 24).

The next level, is the evaluation of the company based on the effort regarding the performance that resulted from that (Holtbrügge, 2015, 24).

If the company is satisfied with the performance, rewards are attributed to the employee. Concerning the rewards, a distinction has to be made between tangible and intangible rewards, see section 2.2. (Holtbrügge, 2015, 24). The fairness of the rewards, as well as the effects of those are important for this process (Kolb, 2010, 391).

If the employee is satisfied with the rewards, the result of this process of motivation is satisfaction (Holtbrügge, 2015, 24). This satisfaction is applied to the employee who determines the rewards as fair and appropriate. But this satisfaction also applies to the company because the goals have been achieved and the employee is motivated.

3. Chapter: SURVEY

A multitude of rewards can be attributed to the employees. In the literature review, some rewards were presented, but there are many other options to reward and/or to motivate the staff. Due to this variety of options regarding the rewards, it is not easy for companies to choose the appropriate rewards in order to motivate the employees. Some companies just decide on some rewards to get the feeling of doing something good for the staff. But are those the rewards the employees wish to receive and those which motivate the employee to further work for the company and even to foster their performance and motivation level?

Therefore, it is often suggested that the management should interrogate the staff via a questionnaire revealing the staff's reward preferences and their work motives. A proposition of predefined rewards is mostly given in such questionnaires by the management based on the financial resources and implantation possibilities that a company has.

This research is additionally done by the company in order to get some knowledge about the employee's motives for executing a task and for coming to work. The result of such a questionnaire should enable the management to take decisions in relation to the rewards.

In the context of this thesis, such a survey was created in order to determine the rewards which employees in Luxembourg receive and to get an overview of the associated motivation.

3.1. Research Design

The research design chosen for this thesis is the basic research. The survey is conducted to get knowledge of the common rewards used in Luxembourg and to understand the correlation with the phenomena of motivation.

The questionnaire was the best method to receive the desired data from the participants. The questions had been developed to reach a higher number of participants than being geared towards individual interviews.

This questionnaire needed to be easy understandable and not overwhelmed with information. The participants didn't have the possibility to share their own opinion, but answered the questions based on given responses. Those responses were selected based on the literature review.

The outcome of the survey will rely more on quantity than on quality due to predefined answers without a possibility for the participants to communication their own ideas.

The decision was taken to gather these effects of motivation by the use of an online platform called SurveyMonkey.

The primary data is received through this survey for which 19 questions were formulated. The first 9 questions reveal some general information about the participants. Questions 10 to 14 are related to the subject of rewards. The last questions, 15 to 19, are based on the topic of motivation.

The goal was to have about 100 participants working in different sectors. The survey link was therefore published on the 3rd December 2017 on the writer's LinkedIn page and Facebook page and send via email to further potential participants. In order to have a wide range of participants, the participants were free to send the link of the survey to colleagues. After 4 weeks, the survey link was closed on January 5th, 2018. 93 participants had taken part in the survey:

CLOSED			
Reward systems and motivation among employees in Luxembourg	93	81%	6 mins
Created: 08/30/2017 Modified: 01/03/2018	Responses	Completion rate	Typical time spent

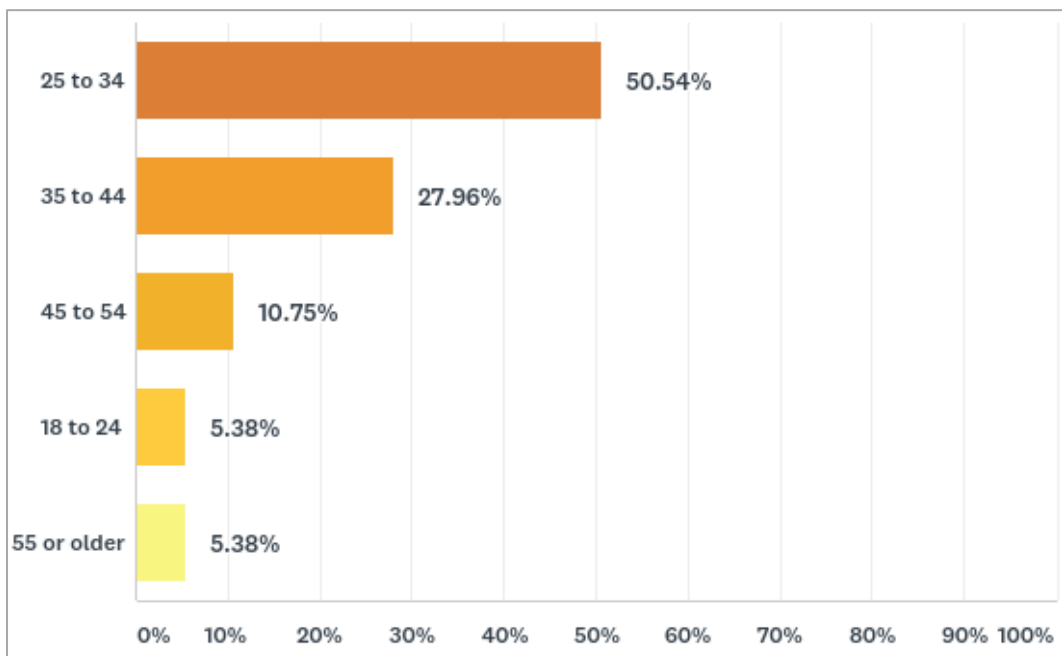
Figure 7: General statistic of the survey

At the beginning of the survey, the biggest problem was that not all the questions had to be answered in order to get to the end of the questionnaire, but some could be skipped. After 20 participants, that approach was immediately changed and thereafter, the questionnaire could only be completed if all the questions had been answered. Therefore, the results show a total completion rate of 81%.

3.2. Summary of the participants

34 men and 59 women took part in this survey. Regarding the age of the participants, 50,54% of the participants are aged between 25 to 34. 27,96% of the participants are aged between 35 to 44. Thereafter, 10,75% of the participants are aged between 45 to 54. And finally, 5,38% of the participants are aged between 18 to 24, which is the exact same percentage as for those participants who are 55 years or older.

Table 1: Age categories of the participants



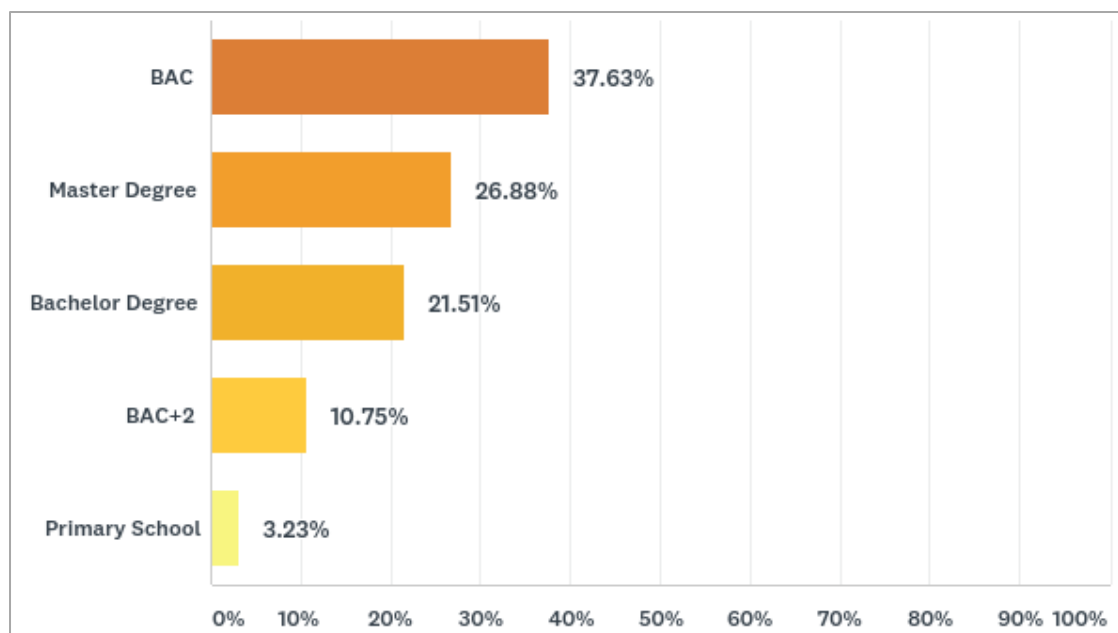
The majority of the participants live in Luxembourg. A few, 6 participants, live in Belgium and 7 participants live in Germany. Only 1 participant lives in France. The question of where the participants work didn't have to be asked, because only people working in Luxembourg were allowed to take part in the survey.

Question 4 asked the participants to select the sector where they work. 26 people work for a financial institution or a bank. This is followed by 22 people who are working in public services and 18 working in the educational sector. Of the participants 17 work in

the private sector and 7 in the services sector. It is the first question which came with an additional text box which allowed the participants to enter a sector that was not yet mentioned on the list. However, only 2 participants provided an additional answer: social sector and industry.

Most of the participants, 37,63%, have a BAC diploma. This category is followed by those participants holding a master's degree, 26,88%, and by those who have accomplished a bachelor degree, 21,51%. A low rate is given for the participants with a BAC+2 diploma 10,75% and 3,23% of the participants have been working since primary school, without any further academic education.

Table 2: Education level of the participants



Then it's about figuring out how long the participants have already been working in their lives. It became clear that the majority has already been working between 10 to 19 years. However, a large number of the participants, 28 in total, have only recently started working, which means less than 5 years ago. 15 people participated with a working experience between 5 and 9 years. The number of participants working longer than 20

years is low. 7 participants have been working between 20 to 29 years and 8 participants already over 30 years.

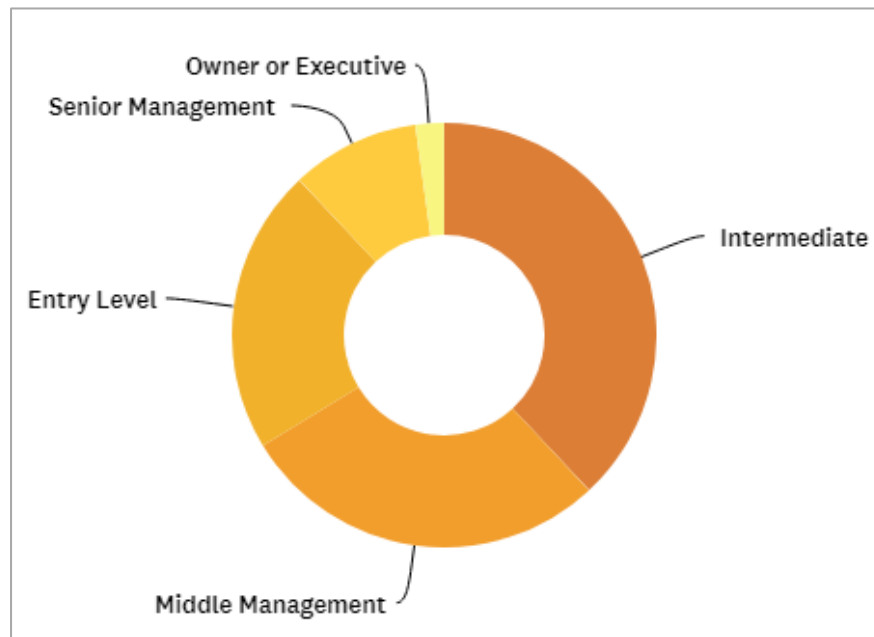
But that was the number of years the employee had been working in total. That figure is slightly different from the one regarding the years an employee has spent working for his or her current company. An important number of employees have very recently changed companies or began to work, because they have been working less than 5 years for the same company. And only 4 out of 93 people have been working for the same company for more than 30 years.

Table 3: Comparison between worked years in total and years employed at current employer

Years	Number of participants (Worked in total)	Number of participants (Worked for the current employer)
<	28	48
5 – 9	15	19
10 – 19	34	14
20 – 29	7	5
30 – 40	8	4

Next is the job level of the employees. The job level of intermediate is represented by 38%. Then there are the employees at a middle management level with 28% and those at an entry level with 21%. 10% of the participants have a senior management position. 3% of the participants of this survey are owners or executives.

Table 4: Job level of the participants



The employees who participated in the survey are generally employed in companies with less than 50 employees. Next are companies with 51 to 150 employees whereby only 14 participants are working in such institutions. 13 participants are working for companies with a staff volume of 151 to 500 employees. An important number of participants, 24, are working for companies with a total of 501 to 1500 employees. Very huge companies with over 1501 employees were represented by 13 participants.

Table 5: Participants per number of employees in a company

Staff members	Participants of this type of company
1 – 50	27
51 – 150	14
151 – 500	13
501 – 1500	24
> 1501	13

Luxembourg has a lot of sectors where a collective agreement is mandatory, see section 2.1.3. In addition, the majority of the participants are working in the financial sector and

public services where such agreements are the rule. Given those factors, it is obvious that one third of the participants receive a remuneration which is determined by a collective agreement.

3.3. Summary and interpretation of the results

In this section a summary of the results of the questions 11 to 19 will be done in order to determine the effects of remuneration and reward systems on employee motivation in Luxembourg.

Question 11: Which rewards do you receive?

Question 11 was meant to determine the remuneration form and the rewards which are received by the participants. Unfortunately, this question was skipped by 6 participants. From a total of 87 responses, 81 employees indicated receiving a fixed remuneration and 12 indicate receiving a variable remuneration. Given those results, some are getting both forms of remuneration. By analyzing the individual responses, this shows that this is the case for 6 participants who receive both types of remuneration: a fixed and a variable monthly remuneration. They are employed in the public sector, financial institutions, and the private sector. In addition, this view has made it clear that 6 participants receive only a variable monthly remuneration. The analysis shows that those are employees working in the private sector and the educational sector.

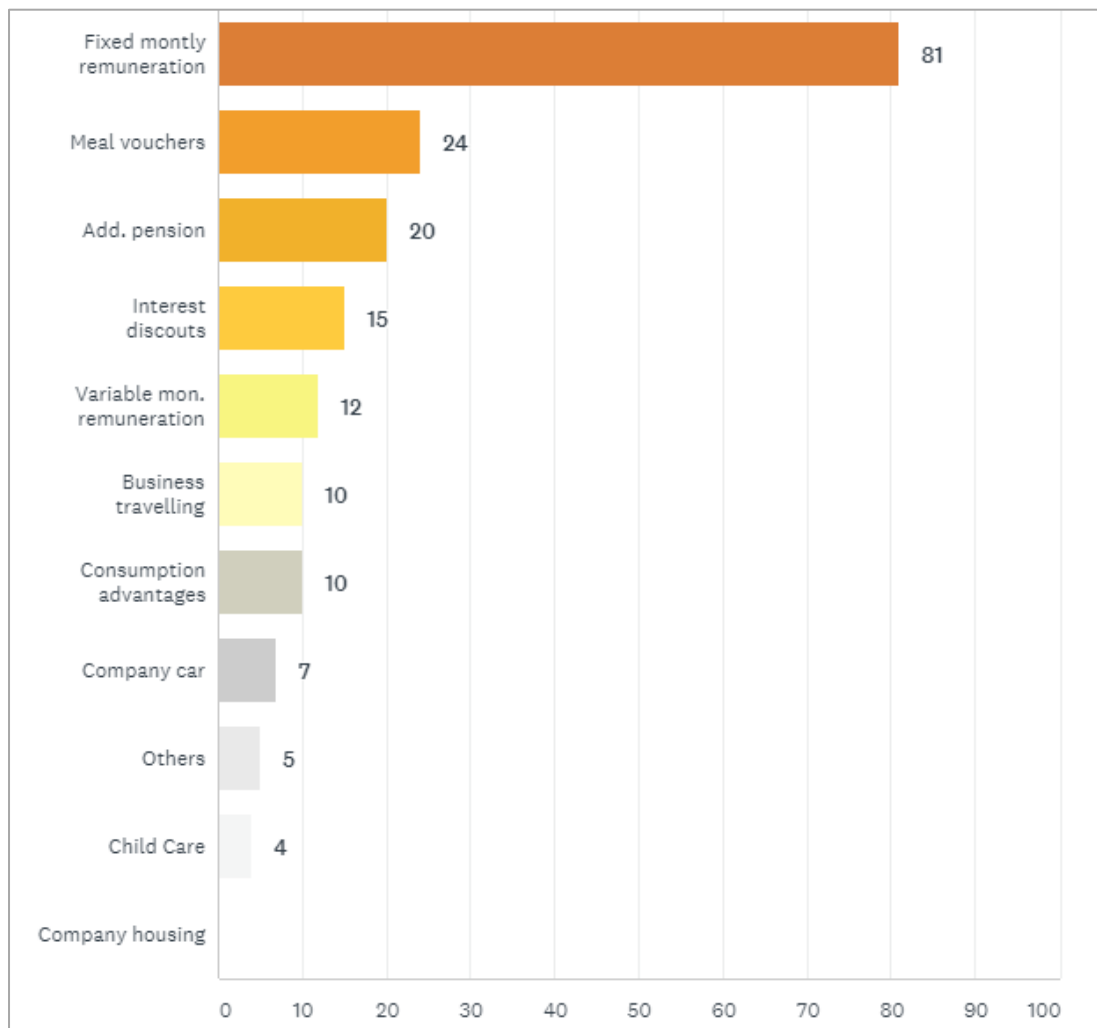
In this question the participants were additionally asked to provide information about the rewards they receive. Therefore, a selection of some rewards was given and the participants had to state which one they receive. 41 participants do not receive another reward than their monthly remuneration.

The reward type which is mostly attributed by the companies to the employees are the meal vouchers. 24 out of 46 receive that reward type. This is followed by the additional retirement pension reward which 20 out of 46 participants receive. A reward type also often attributed, 20 out of 46 participants profit from this reward in Luxembourg, are the discounts on interest rates. Consumption advantages are perceived in 10 out of 46

participants. It is the same result for business travels. Only a few participants, 7 out of 46, profit from a company car. The reward related to childcare facilities has a low frequency. 4 out of 46 receive that reward type. A reward which none of the participants receives is company housing. One reason for this could be the elimination of company housing in public services decided for example for employees at the Police in Luxembourg.

There was an option integrated in this question where the participants could specify other rewards they receive. 3 out of 5 participants mentioned that they receive a bonus. Those answers are not relevant in relation to this question and are analysed in the following question. One participant answered that an additional medical insurance has been given as a reward. Actually, this option was not explained in the selection of the literature review. Another participant mentioned that he receives a commission which was categorized in the literature of this thesis as remuneration.

Table 6: Rewards perceived among the participants



An easier analysis of question 11 would have been possible if the question had been split into two different questions: one for the types of remunerations and one for the types of rewards.

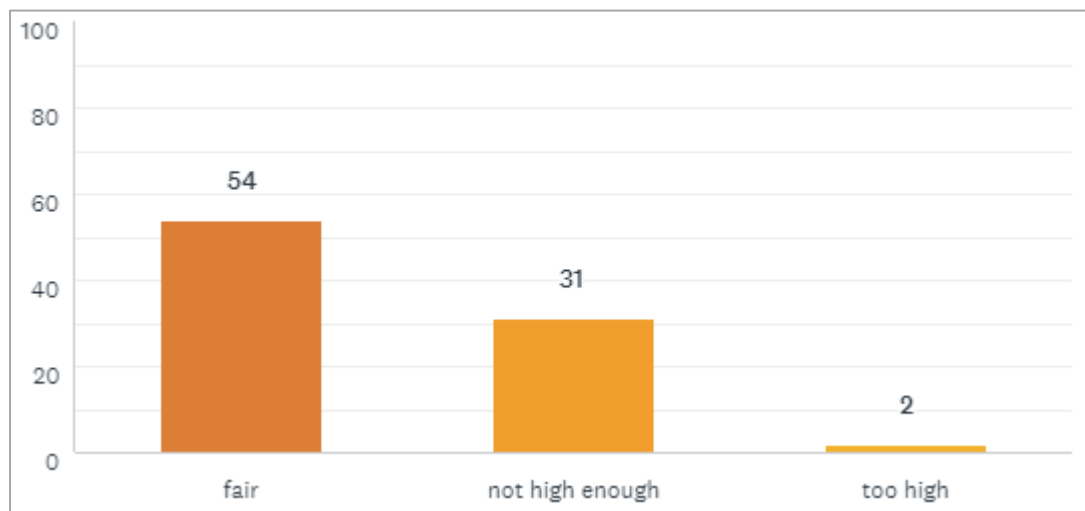
Question 12: Do you believe that the rewards you receive are: not high enough, fair, too high?

Question number 12 concerning the fairness in the payment of rewards was answered by the same number of participants as question 11, so by 87 participants. 54 out of 87

perceive the attributed rewards as fair. Of those 54 participants, 23 do not receive more rewards than their monthly remuneration and they are satisfied despite that fact.

One third, 31 out of 87, feels that the rewards they receive are not high enough. 18 people out of those 31 do not receive any further rewards than their remuneration which fosters this feeling. 5 participants out of 31 receive one additional reward to their monthly remuneration. This results in the fact that 8 out of 31 people receive a monthly remuneration and at least two other rewards and considered the attributed rewards as not high enough. 2 out of 31 participants are of the opinion that the received rewards are too high.

Table 7: Fairness of the rewards



The two participants who indicated that the rewards they receive are too high may have very high remunerations. It comes to this conclusion, because one of those participants just receives a monthly remuneration and the other one a monthly remuneration plus a childcare facility reward so the feeling of being too highly rewarded does not stem from receiving a multitude of rewards

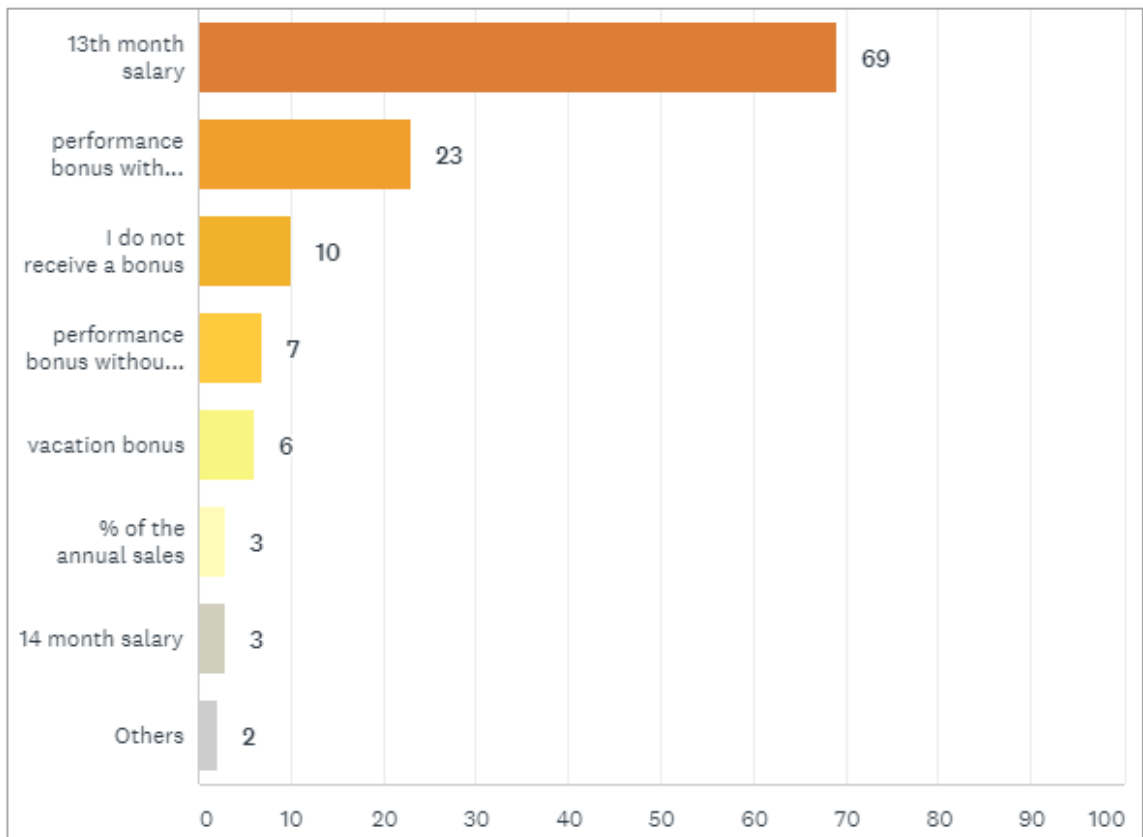
Question 13: Do you receive bonuses?

This question was related to the bonuses that are gained by an employee. 10 participants stated that they do not receive any kind of bonuses. The majority, 69 out of 87 participants, receive a 13th month remuneration. Just 3 receive a 14th month remuneration. Concerning the bonus related to the employee's performance, the survey shows that 23 participants receive a bonus based on an individual evaluation. Only 7 employees receive a performance bonus without such an evaluation.

About 6 employees, mainly employed in public services, receive a vacation bonus. The attribution of a percentage of the annual sales is rare, which is received by 3 participants who are employed in financial institutions.

In relation to this question, the participants could mention other bonuses that they receive which were not suggested in the selection offered in relation to the question. The responses were tip and 50% of the 13th month salary. The participant who added tip to the list is working in the private sector.

Table 8: Bonuses distributed to the participants



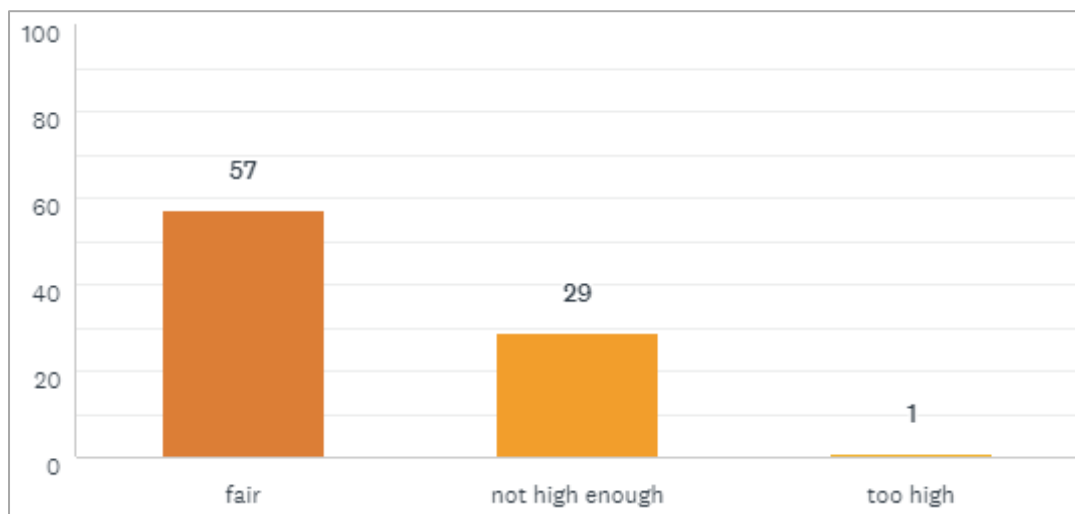
Based on individual results, it seems like a 14th month remuneration is only paid if the payment of a 13th month remuneration has been made.

Question 14: Do you believe that the bonuses you receive are: not high enough, faire, too high?

The next question is the analysis of the appreciation of the bonuses. 57 participants believe that the bonuses they receive are fair, whereas 29 participants would appreciate higher bonuses. 10 out of 29 participants don't receive a bonus and obviously mentioned that this reward type is not high enough.

In contrast, some participants receive several bonuses and still consider those as not high enough. 1 participant is of the opinion that the bonus he receives, a 13th month remuneration, is too high.

Table 9: Fairness of bonuses



Comparing the appreciation of fairness of the rewards and the bonuses received, the results are nearly identical.

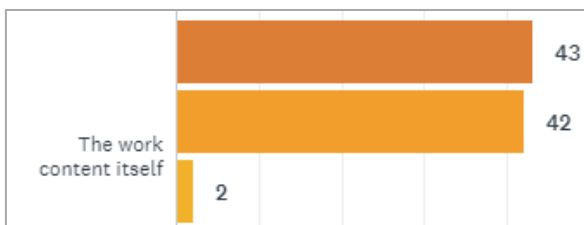
Question 15: Are the following aspects important for you at work?

The participant had to choose between 4 given answers for each one of the following aspects:

- Highly important
- Important
- Undecided
- No importance at all

This question was asked in order to analyse the importance employees attribute to intangible rewards. The majority of the selections of the aspects are analysed in section 2.2.3. 87 participants answered this question.

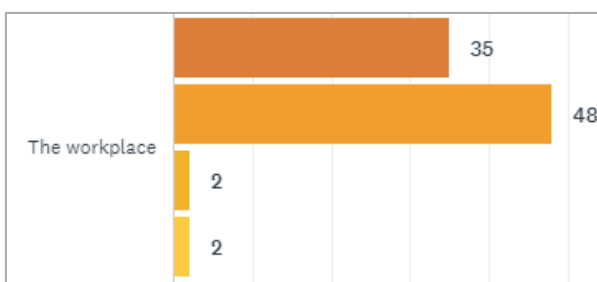
Table 10: Ranking of the work content itself



The aspect, work content, was rated by 43 participants as highly important. 42 participants voted work content as important.

2 participants were undecided and nobody gave no importance at all to this aspect. Based on those numbers, 85 out of 87 participants consider work content as an important factor at work. Since work content is rated as important by mostly of all the participants, the company has to focus on this intangible reward. By introducing new tasks from time to time or by making current tasks more interesting, the management will reward the employees. Additionally to task diversity, it is important to communicate the work results which have been achieved so that the employee realises that he has provided a good performance.

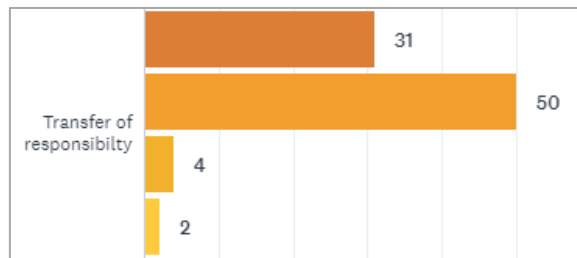
Table 11: Ranking of the workplace



35 participants are of the opinion that the next reward, the workplace, is highly important in relation to their work. The workplace was ranked as important by 48 participants.

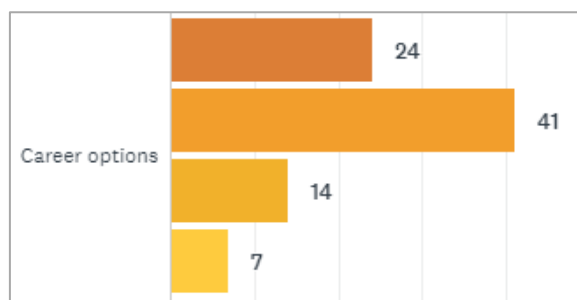
2 out of 87 cannot determine whether this is of importance or not and 2 stated that the workplace has no importance at all. A company cannot change the employees' workplace that easily. Sometimes, the headquarters are placed in different positions or the company has different chain stores which will allow changing the workplace. Otherwise, the company can invest in public transport to facilitate the way for the employees to the location of the company. Investing in small supermarkets, childcare facilities, and fitness centers those other options to make the workplace more interesting, but are generally difficult in planning and financing

Table 12: Ranking of the transfer of responsibility



Assuming responsibility is highly important for 31 participants and important for 50 people. The importance of this reward couldn't be determined by 4 participants and 2 stated not being affected by this aspect at all.

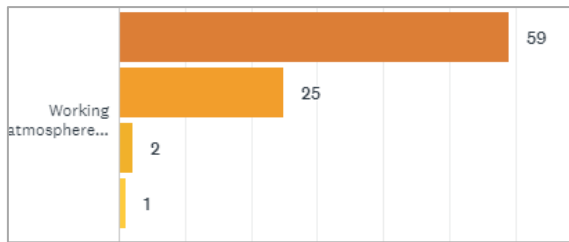
Table 13: Ranking of the career options



The career options are the aspect with the most different responses. For the majority of 41 participants it is something of importance, but only 24 view this aspect as highly important.

14 do not have an opinion on this subject and are undecided as to the importance of the career options. For 7 participants this has no importance at all for their current position.

Table 14: Ranking of the working atmosphere

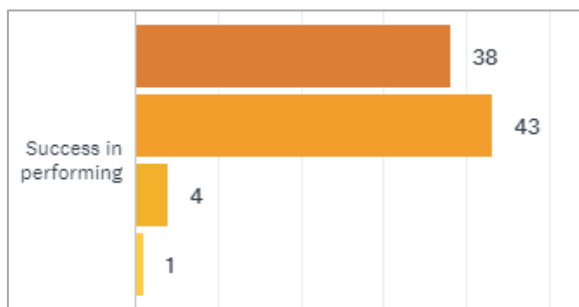


The working atmosphere and environment is the aspect which has the highest rate in highly important, which was given by 59 participants.

This is followed by 25 participants determining this intangible reward as important. 2 were undecided and 1 participant doesn't see any importance at all in the atmosphere and environment at work.

Given the outstanding result related to the aspect of work atmosphere and environment, the management has to control this reward. This means that the management has to make sure that this aspect stays positive and comfortable for each employee, because this aspect is often the most crucial one when an employee decides to leave the company. The management can invest in corporate events like teambuilding. In terms of the work environment, the company can for example allow employees to put personal pictures on their desk in order to contribute to feeling good at work.

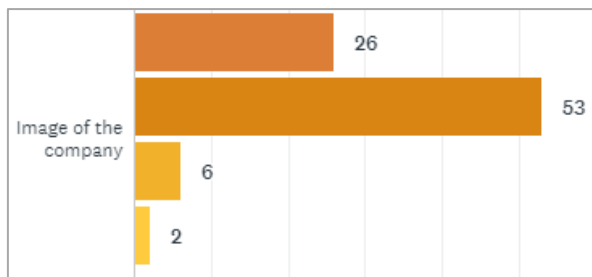
Table 15: Ranking of the success in performing



For half of the participants, 43, having success in performing is important. To this are added 38 answers which say that success in performing is highly important.

A low number, 4 participants, can't decide on this aspect and 1 sees no importance at all in this reward.

Table 16: Ranking of the image of the company



26 participants attribute a high importance to the company's image. 26 stated that this is important and 6 were undecided. 2 don't view this aspect as relevant

The results show that intangible rewards are in general of a great importance from the participants' point of view. It is the work atmosphere and environment that ranks highest in comparison to all the other aspects. The next figure shows that career options are the aspect which was rated by most participants as least important in relation to their work. This rate perfectly matches the low rate this aspect gets on the highly important ranking.

Table 17: Rates for aspects in the work environment

	Highest Rate	Lowest Rate
Highly important	Working atmosphere	Career options
Important	Image of the company	Working atmosphere
Undecided	Career options	Workplace
No importance at all	Career options	Work content

Question 16: Could you please arrange these six work motives.

The question was formulated in a way that allows us to analyse the employees' intrinsic and extrinsic motives. 78 participants gave an answer to question 16. The motives were analysed in section 2.3 of this thesis. To recap, performance, competence, and sociability are intrinsic motives and money, security, and prestige are extrinsic motives.

The responses show that in the first category "Totally Motivated" most of the participants, 56,41%, are motivated by having a safe workplace. Next is the competence motive related to being an expert in a specific field. The performance motive ranges third with 28,21%,

followed by the money and social motives with both having 23,08%. The lowest rate was attributed to the prestige motive.

Table 18: Categories “Totally Motivated” and “Motivated”

Totally Motivated		Motivated	
Security motive	56,41%	Social motive	65,38%
Competence motive	38,46%	Performance motive	60,26%
Performance motive	28,21%	Money motive	60,26%
Money motive	23,08%	Competence motive	46,15%
Social motive	23,08%	Prestige motive	41,03%
Prestige motive	12,82%	Security motive	34,62%

Regarding the second category “Motivated”, the participants voted being motivated overall by the social motive giving 65,38% to this motive. The motive of achieving a performance goal and the money motive are in second range with 60,26%. The competence motive gets 4th place in this category and the prestige motive 5th place. The security motive was ranked in the last position of this category, but this is due to the extremely high rate in the category of “Totally Motivated”.

The two categories are summed up in order to get an overview of what mostly motivates the participants to work:

Table 19: Summary of the motives ranked “totally motivated” and “motivated”

Total : Motivating motives	
Security motive	91,03%
Social motive	88,46%
Performance motive	88,47%
Competence motive	84,61%
Money motive	83,34%
Prestige motive	53,85%

After analyzing the results, we come to the conclusion that the participants are motivated primarily by the security motive which is defined by having a secure workplace.

Next are the social motive and the performance motive where the participants are motivated by the fact of being a team member and by achieving performance goals. Those are the three motives that stand out from this list. Participants voted the competence and the money motive as being the 4th and 5th motives that are motivating to work. The prestige motive is by far the least motive that motivates the participants.

The categories “Undecided”, “Not motivated”, and “Absolutely not motivated” are analysed and compared with each other.

On top of those three categories is the prestige motive. The participants are not motivated by quickly rising in a company in order to make career.

Table 20: Categories “Undecided”, “Not motivated” and “Absolutely not motivated”

Undecided		Not motivated		Absolutely not motivated	
Prestige motive	24,36%	Prestige motive	15,38%	Prestige motive	6,41%
Competence motive	10,26%	Competence motive	3,85%	Money motive	3,85%
Performance motive	8,97%	Money motive	3,85%	Performance motive	1,28%
Money motive	8,97%	Social motive	2,56%	Competence motive	1,28%
Social motive	8,97%	Security motive	1,28%	Social motive	0%
Security motive	7,69%	Performance motive	1,28%	Security motive	0%

The competence motive is the second motive where the participants couldn’t define whether they are motivated or not by being an expert in their work. But just 3,85% and 1,28% aren’t motivated by this motive. Another motive which has to be named is the money motive where the primary reason to work is to get money. Somehow this motive has been voted as absolutely not being motivating by 3,85%. This motive has the same rate in the category of “Not motivated”. The social and the security motives have the lowest rates in those categories which reflect positive rate in the categories “Totally motivated” and “Motivated”.

To conclude this question, it is clear that an extrinsic motive like security is the primary motivation for the participants. The intrinsic motives, social, performance, and competence, are the next motivations for the employees who participated in this survey.

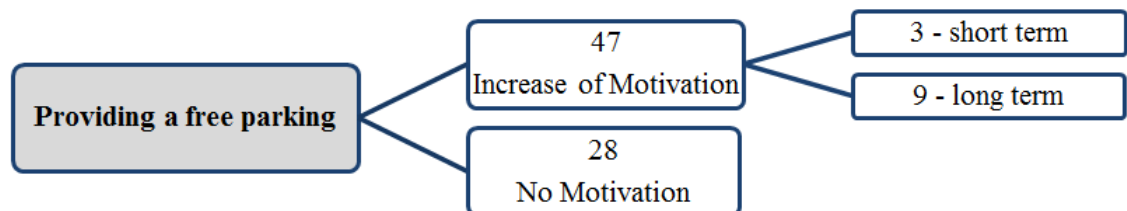
The money and prestige motive are extrinsic motives and were rated as the lowest motivations to work.

Question 17: Which of the following factors would increase your motivation? And please estimate for how long 1-6 months or 6-12 months.

Based on the participants' experience, question 17 was not clearly asked for each of the participants. The feedback was that this question was too vast in terms of information and it wasn't obvious, why this indication of months was given.

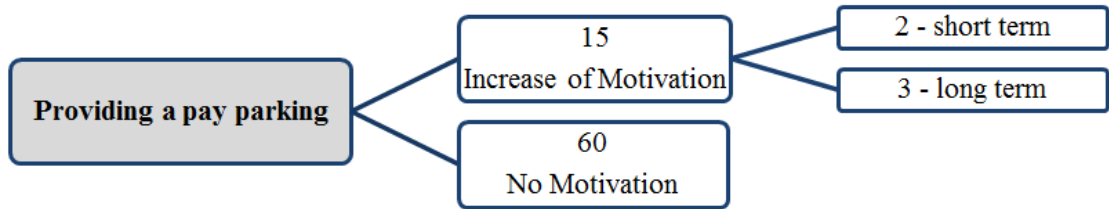
The aim of this question was to get information about the motivation regarding the incentives a company can provide. In addition, the aim was to state whether the incentives were motivating for a short, 0 to 6 months, or a long, 6 to 12 months, term. Most factors provided in this question have a tangible character.

Figure 8: Factor influencing the motivation – Providing a free parking



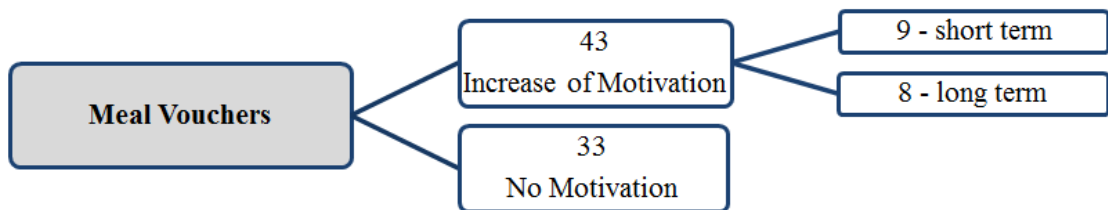
By providing a free parking space, the company can increase the motivation amongst its employees. In this survey, 47 out of 75 participants stated an increase in motivation when it comes to this reward. This would even be the case for 9 participants in the long run. The participants, 28 out of 75, who indicated that no motivation occurs from those incentives probably don't need a parking space, because they use carpooling options or commute to work by public transport.

Figure 9: Factor influencing the motivation – Providing a pay parking



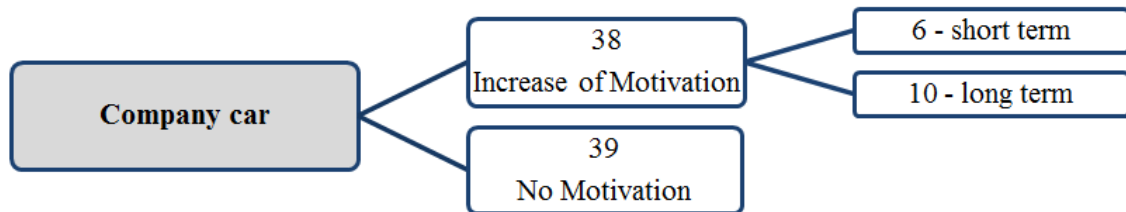
A company which provides paid parking will not provoke much motivation from the staff as stated in the results in this survey. Regarding the individual responses of those 15 participants, it is detected that they made the same reflection when it comes to the providing of a free parking space. Those participants desire a parking space no matter what the conditions are and are still motivated by this incentive. 60 out of 75 will not be motivated when they receive a parking space in return for money that has to be paid to the employer.

Figure 10: Factor influencing the motivation – Meal Vouchers



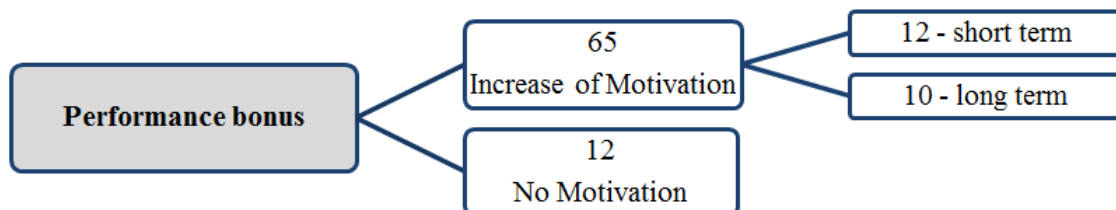
Meal vouchers can be a good incentive to increase employee motivation as stated by the participants, 43 out of 76, but some only see a short term motivation in this reward whereas others will be motivated for a long term. A lot of participants, 33 out of 76, indicate not being motivated by meal vouchers. Those participants maybe be working for companies which have a cafeteria and offer meals at low prices. But it may also be that those employees have enough purchasing power and prefer renouncing to meal vouchers to possibly get other rewards.

Figure 11: Factor influencing the motivation – Company car



The implementation of a car allowance system in the company can be time consuming and expensive and the motivation will perhaps not remarkably increase based on those results. Just 38 out of 77 participants view in this reward an increase of their motivation, but 10 out of 38 participants however stated a long term motivation. On the other hand, 39 participants aren't motivated by the attribution of a company car. One reason could be an expensive rental fee that the employee is not ready to pay. Another reason could be that the participant has a car and does not need a company car y. No motivation may additionally be caused, because the employee may not use this car privately and has to take especially well care of the company car.

Figure 12: Factor influencing the motivation – Performance bonus

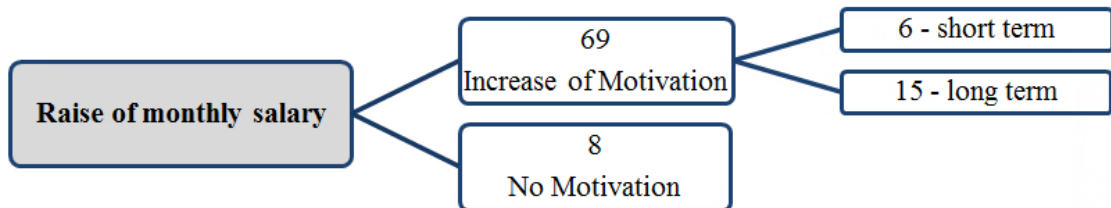


The payment of a performance bonus is a good incentive to raise the motivation based on the answers of the participants in this survey. The employees' performance has to be checked over a certain period of time. 65 out of 77 participants show an increase in their motivation by receiving this bonus. This reward may be viewed by a lot of the participants as an appreciation of the work that has been done.

12 out of 77 participants are not motivated by this bonus. The fact that the amount of the bonus is variable constitutes an advantage for the company, in difficult corporate times the company can pay less amounts of bonuses, but this fact can be seen as a disadvantage

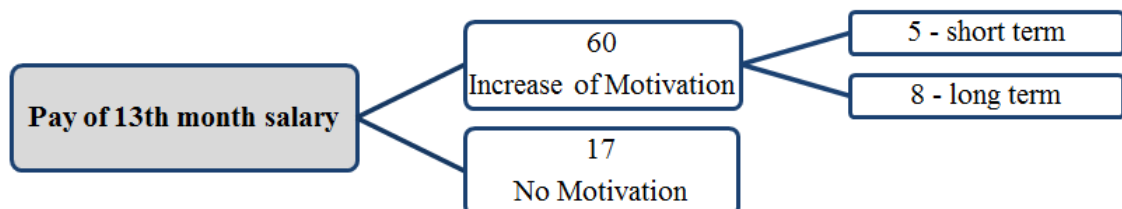
by the employees. Another reason could be that the employees feel pressured to perform in order to obtain this bonus.

Figure 13: Factor influencing the motivation – Raise of monthly salary



Raising the monthly salary of the employees is the reward type which has gained the highest voting by the participants in terms of increasing their motivation. But only 15 out of 69 participants will be motivated for a longer term, which is not that much regarding the associated high costs for the company until the retirement of the employees. 8 participants indicated that this reward does not motivate them. An argument can be, that the higher salary can lead to the classification in another tax bracket. Another reason for the fact of not being motivated by this reward can be the expectations of the management which may be related to this raise in salary.

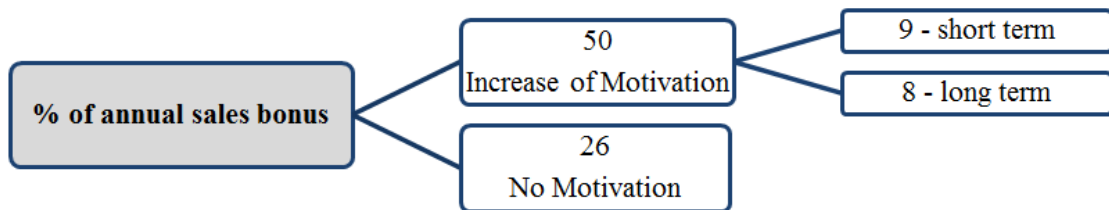
Figure 14: Factor influencing the motivation – Pay of 13th month salary



Being rewarded by being paid a 13th month salary increases the motivation in 60 out of 77 participants. 5 of those 77 believe being motivated for a short term and 8 will be motivated for a long term. Out of 77 participants, 17 stated that no motivation will occur because of the payment of this additional salary. Those participants may not see anything special in this reward, but view the payment as mandatory, because it has been fixed in a

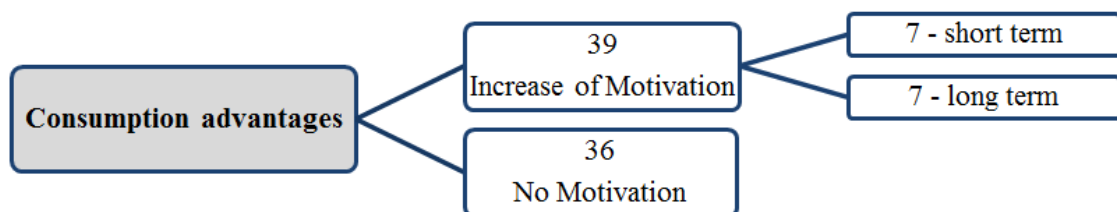
collective agreement for example. Others are not motivated, because such a payment will cause a disadvantage for them in terms of paying more taxes.

Figure 15: Factor influencing the motivation – % of annual sales bonus



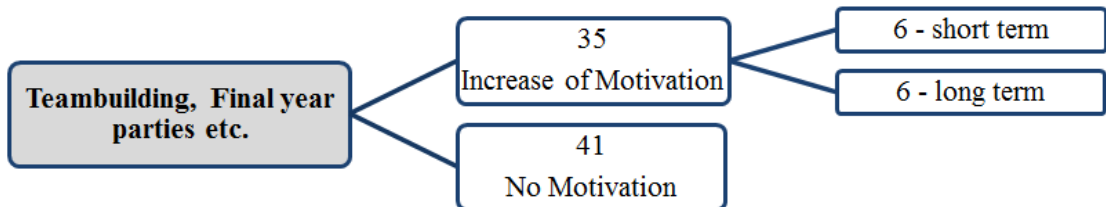
Paying a percentage of the annual sales as a bonus to the employees will raise motivation in 50 out of 76 participants. 8 will be motivated for a longer term. That level of motivation may occur, because the employee feels like having contributed to the company’s success. In contrast, 26 out of 76 participants aren’t motivated by this type of reward. A reason might be that it is a variable bonus payment on which the employee cannot count and may even be skipped by the company if necessary.

Figure 16: Factor influencing the motivation – Consumption advantages



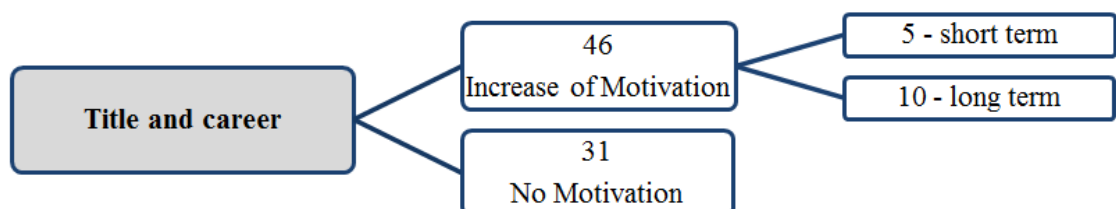
Then there is a reward where the participants’ opinions completely differ. Half of the participants, 39 out of 75, see an increase in their personal motivation when consumption advantages are attributed and the other half, 36 out of 75, see no motivation emanating from this reward. This difference may come from the fact that such advantages are often small in amount, so much so that for some they are not even worthy of mentioning, but for others they make an important difference. In addition, the shops where the consumption advantages are in application may not be advantageous for each employee due to individual preferences.

Figure 17: Factor influencing the motivation – Teambuilding, Final year parties etc.



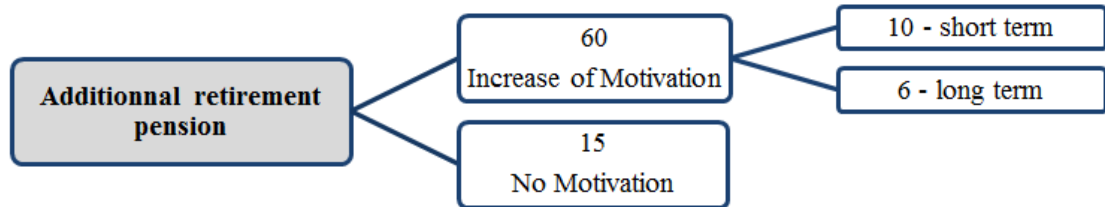
Corporate events like teambuildings and final year parties should lighten up the work atmosphere. In question 15, this was rated as highly important and in question 16, the participants indicated being motivated by the social motive. Those may be the reasons why 35 out of 76 participants see an increase in their motivation in the planning of such events. Nevertheless, regarding the results of this question, the majority of the participants voted no motivation, 41 out of 76, occurring from this reward. One reason could be that in order to attend those events, which will take place after work, participants will have to spend more time at work and will have less free time at home.

Figure 18: Factor influencing the motivation –Title and career



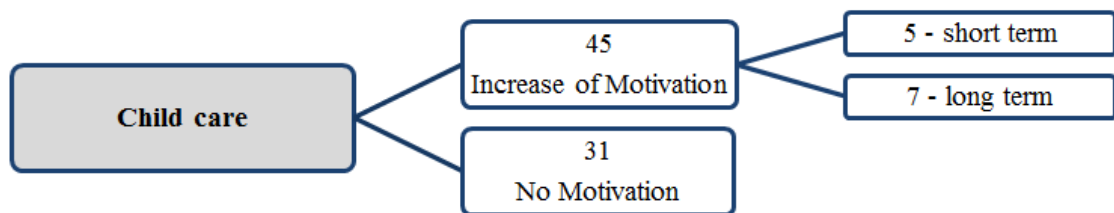
The attribution of a title and the perspective of a career in a company are viewed as a reward that increases the motivation of 46 out of 77 participants. On the long run, the motivation is increased in 10 out of 46 participants. The increase in motivation may have something to do with the fact that some expect a higher monthly salary because of a title or a progress in their career. On the other hand, there are many participants, 31 out of 46, who would not be motivated by this type of reward. This is also rather the result which reflects the answers to questions 15 and 16, where the prestige motive emerges as not motivating and the majority of the participants see no importance in additional career options. Furthermore, participants who are not willing to assume more responsibility may also have voted not being motivated by this reward.

Figure 19: Factor influencing the motivation –Additional retirement pension



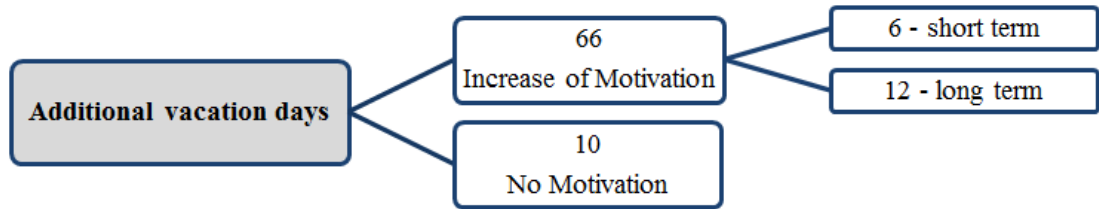
Additional retirement pensions are another way of reward. About 60 out of 75 participants justify an increase in motivation, when receiving this reward. It is a bit strange that there are participants who would be motivated for a short term, 10 out of 60, because the additional retirement system is a long term reward which only pays off with retirement. However, this may be a reason why there are participants, 15 out of 75, who are not motivated by this reward. In addition, often such retirement offers are tied to years of working in the company and can therefore be seen as a forced incentive to stay in the company.

Figure 20: Factor influencing the motivation – Child care



The opportunity to give his child into a child care facility results for many participants, 45 out of 76, in a raise in motivation. The employees may have more time and less stress with such facilities. Child care can sometimes be less costly for the employees when the company operates an own child care facility or negotiates low rates with external facilities. This will certainly only be motivating for employees with children which may be the reason why 31 participants don't view this reward as motivating.

Figure 21: Factor influencing the motivation – Additional vacation days



66 out of 76 have an increased motivation when more vacation days are attributed. Their leisure time will increase and the employee can recover better. Some participants, 10 out of 76, are not motivated by more vacation days. They may prefer for example receiving a higher remuneration or a bonus instead of spending extra vacation days and earning less.

A lot of interpretation had been done to analyse the responses to those questions. The next figure is a summary of the factors stipulating motivation or not analysed in this question:

Table 21: Motivation versus no motivation for a selection of factors

Ranking of the factors that...			
...increase the motivation		...have no influence on motivation	
Raise of the monthly salary	69	Providing of a pay parking	60
Additional vacation days	66	Teambuilding, Final year party etc.	41
Performance bonus	65	Company car	39
Pay of 13 th month salary	60	Consumption advantage	36
Additional retirement pension	60	Meal vouchers	33
% of annual sales bonus	50	Child care	31
Providing a free parking	47	Title & Career	31
Title & Career	46	Providing a free parking	28
Child care	45	% of annual sales bonus	26
Meal vouchers	43	Pay of 13 th month salary	17
Consumption advantage	39	Additional retirement pension	15
Company car	38	Performance bonus	12
Teambuilding, Final year party etc.	35	Additional vacation days	10
Providing of a pay parking	15	Raise of the monthly salary	8

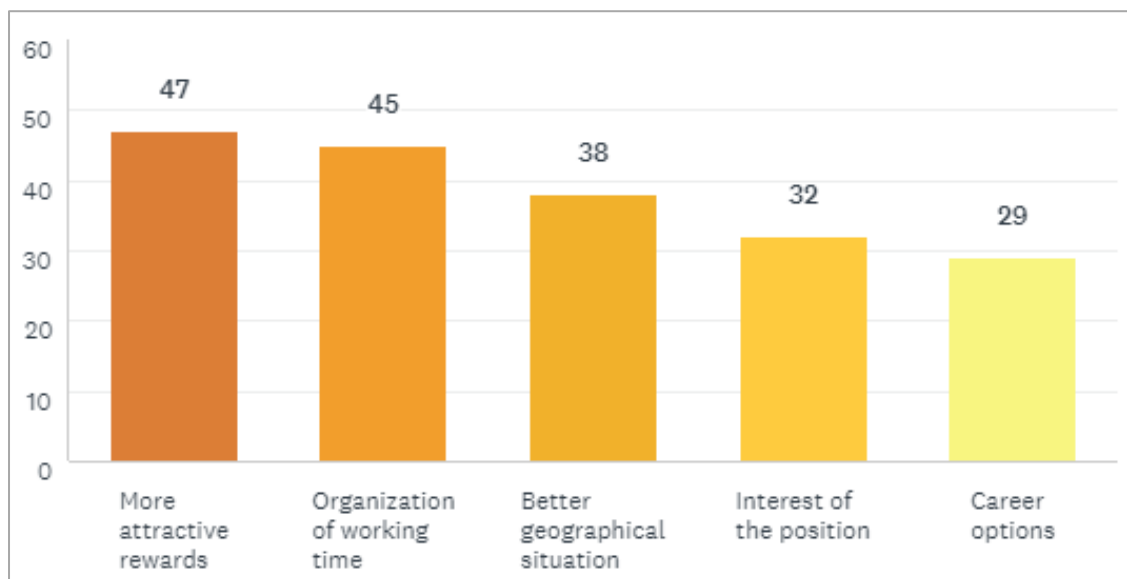
Question 18: What could be the motivations to change the employer?

The question was asked to verify in some points the answers of the participants of some other questions. More answer possibilities were possible for this question.

77 participants took part in this question. Out of those 77, 5 selected all the given motivations to change the company. At their current work, the employer has a lot to do in terms of motivations to prevent these employees from quitting.

More attractive rewards are at the top of the responses with 47 participants having voted them as the primary reason for changing the company. Unfortunately, it was not precise if this is related to financial or non-financial rewards. The second motivation voted by 45 participants is a better organisation of the working time which will give more flexibility to the employees. This may also include the option of working from home.

Table 22: Reasons to change the employer



Third is a better geographical situation of the company which motivates 38 participants. This ranking expresses the same as the participants voted for question 15 where an importance of the workplace was stated. The fourth motivation to change the employer is the interest in the position that was indicated by 32 participants. The result is identical to the results of question 15 where the participants voted the work content as the most

important aspect for their work. The last motivation to change the company is the career options. 29 participants would quit their current job for this opportunity. The outcome is the same as the participants mentioned in questions 15 and 16 giving mostly no importance at all to the career options and a low motivation to the prestige motive.

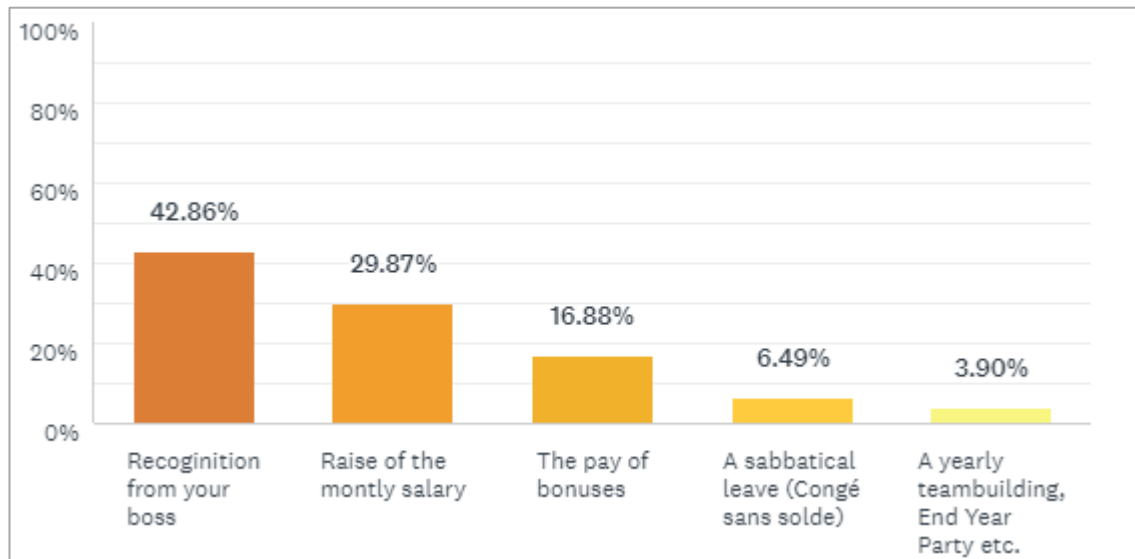
Question 18 included the possibility to name other motivations to change the employer. Three responses were given: kind of work itself, responsibilities, and work climate, company with purposes and values. The kind of work itself can be added to the interest in the position which was not selected by this participant. The participant who mentioned responsibilities and work climate had additionally chosen more rewards and career options. The responsibilities are probably a consequence of the desired career options. The work atmosphere was actually not included in the selection of this question, but after having the responses of question 15 where it is stated that this aspect is highly important, this would have been necessary. The third participant mentioned that a company with purposes and values could be an additional motive to change the employer. This is the image of the company, an aspect which is actually important for the majority of the participants based on question 15.

Regarding the results of this question, the participants tend more towards the money symbol by rating more attractive rewards as the overall important motivation to change the employer.

Question 19: For 2018, what will have the most important influence on your motivation to work?

To get information about the most important influence for the current situation and current position of the employee, question 19 was asked. In total 77 participants gave an answer to this last question of the survey. 42,86% of the participants want recognition from their boss in 2018. This is an intrinsic motivation of the employees which will cost the company nothing, but will extremely raise the performance level due to an important motivation.

Table 23: Work motivations for 2018



29,87% would be motivated his year by a raise of their monthly remuneration. This extrinsic motive is linked to important long term financial resources.

16,88% of the participants desire the pay of a bonus. The company can recompense such desires by a short term payment of a one-time bonus for example a percentage of their annual sales. The financial costs will be of a short term.

Just 6.49% of the participants would go on a sabbatical in 2018 which is maybe due to the participants' personal situation or to the fact that such timeouts are not very popular amongst the companies. 3,90% of the participants will be motivated when more corporate events like teambuildings will be organised by the company. This is in correlation to the responses given to question 15 concerning the work atmosphere which was ranked as important by a huge number of participants. Such parties would maybe contribute to a better atmosphere at work.

4. Chapter: CONCLUSION

4.1. Overall findings of the survey

The effects of remunerations and rewards on the employees' motivation have been measured in this survey. Every listed remuneration or reward has triggered some motivation in at least one or more participants. This is due to the fact that every human is unique and has different needs. Therefore, a first finding is that there is no remuneration form or reward type which was voted as having no effect whatsoever on employee motivation.

That is why there are many rewards and remunerations that increase the employees' motivation. A detailed analysis was presented in section 3.3. Just those rewards which stand out most in this survey are used to determine the overall findings. An essential finding is that participants are primarily motivated by the security motive, which means the need of having a safe workplace. To this is added that the effects of increasing the motivation are the most important by raising the employees' monthly remuneration. An increase in motivation will secondly take place through the contribution of more vacation days. In third and fourth place are the payment of a performance bonus and the payment of a 13th month remuneration. Those increases of motivation basically occur from the attribution of financial rewards that have an extrinsic character. But it has to be stated that most of the participants perceive their current remunerations and rewards as fair.

In contrast to those findings, the participants indicated that in 2018 they will be most motivated by receiving recognition from their boss. Furthermore, the participants determined a good work atmosphere and the work content itself as the most essential aspects at work. A great importance is also given to the social motive and the company's image. Those are rewards with an intrinsic character that increase employee motivation.

As stated, there are no remunerations or rewards which do not at all influence motivation. But there are some remunerations and rewards that have only a low impact on employee motivation. At the top of this ranking there is the providing of a paid parking which was voted by the participants as having the least motivational effect at all. The next reward type having little effect on motivation is the organization of teambuilding or other corporate events. The providing of a company car and consumption advantages are

ranked in places three and four on this ranking. Furthermore, the prestige motive was voted as least motivating for employees at work. There are five other motives which provoke more motivation in employees, see section 3.3. Participants were additionally not at all interested in career opportunities.

The last finding is that all kinds of rewards, tangible or intangible, will provoke employee reactions. The company should therefore first determine what reactions they would like to see, for example stability or an increase of the intrinsic motivation of the employees, before offering a specific kind of reward.

4.2. Benefits and limitations of the survey

After realizing the survey and analyzing the results in detail, some benefits and limitations have to be mentioned.

One benefit stems from the use of the online platform called SurveyMonkey, because once the questions had been formulated, the design of the survey itself was relatively easy on this website. Another benefit was the decision to organise the survey online, because the results and the overview of the number of participants were immediately available at any time. By spreading the link of the survey on LinkedIn and Facebook it was possible to address the target participants group: employees working in Luxembourg. This highlights another benefit of the survey: the diversity of the participant profiles. This was necessary to get founded and realistic results of the effects of rewards on motivation in Luxembourg. In addition, the link to the online survey had given the possibility for potential participants to participate at work or during their free time. The fact that people could fill it in anywhere they wished maybe increased their willingness to participate. A further benefit results from the fact that the platform automatically produced some diagrams based on the results which supported the evaluation of the data. From this platform the entire individual results of the 93 participants were downloaded as an excel format which facilitated the analysis and interpretation of the results.

A limitation was to get enough participants for the survey. At the beginning, 100 participants were targeted, but at the closing of the survey just 93 had participated. One reason was that the link of the survey was not forwarded that much by the participants.

Another limitation was the fact that at the start of the survey the questions didn't all need to be answered in order to get to the end of the questionnaire. This had been changed after the first participations in order to end the survey only if all the questions had been replied. The survey was conducted in Luxembourg and was especially created based on the Luxembourgish culture, usual reward types and common methods of remuneration. The survey and the findings can therefore not be transferred to other countries which is another limitation. The survey has just examined a selection of the possible reward types and remuneration forms. There are by far more options to honour the employees. Furthermore, another limitation is based on the voting of the participants for more attractive rewards in question 18. Those rewards can be related to both intrinsic and extrinsic motivation, because the character of those rewards, financial or non-financial, was not determined. This stated again how difficult it is to measure motivation and in return how challenging it is to evaluate one's own motivation.

4.3. Summary of the survey

A summary of the survey had been done to distribute to the participants through the LinkedIn and Facebook pages of the writer of this thesis. It was a personal wish of the writer to inform the participants about the findings and to thank them for the participations.

4.4. Suggestion – a basic income

Investing money and time in the implementation of reward systems without having a guarantee that the employees will be motivated is expensive and complex. So would it not be easier to introduce a basic income to a whole country through which everyone would earn the same amount? The employees would have a safe income to finance their private lives as expressed by many participants of the survey as their most important motive to work. The companies wouldn't have the pressure to continuously increase the payments of rewards, but would primarily focus on intangible rewards to make the work as comfortable and interesting as possible. There would be less competition between the

companies regarding the financial rewards and remunerations and the focus would be drawn to the work itself.

In 2016, the Swiss population was called in a referendum to vote for or against an unconditional basic income (Zeit Online, 24.08.2017). It was the first time worldwide that a population had to position itself in relation to such a question (Zeit Online, 24.08.2017). The proposal of the imitators was a basic income about an approximate value of 2.500 francs per month for adults and 650 francs per month for minors. The result of the referendum was that 78 percent of the population disagreed with the proposal. Analysts stated that this outcome is especially due to doubts and ambiguity regarding the financing of the basic income (Zeit Online, 24.08.2017).

4.5. Recommendations

As motivation is individual and personal and not directly measurable, it is difficult for companies to fix the best rewards to get a certain employee behaviour in return.

The recommendation for companies is to use questionnaires to somehow determine the employees' needs. For some companies, interviews may also be a tool to find out the best rewards in order to trigger motivation. But something is essential for those findings: they have to be regularly verified, because the personal situations as well as the employees' needs are changing. Some adaptations regarding the remuneration forms or the reward types may have to be undertaken.

For the employees it is recommended to communicate their desires to the company and to not take rewards for granted.

4.6. Conclusion

Humans change and so do the effects on motivation. It may occur that rewards are not appreciated anymore by the employees. Therefore, companies constantly have to question their remuneration forms and their reward systems. The companies' primary goal should be to motivate the employees intrinsically, by the work itself, and not by perceived financial rewards. Behind the whole reward systems lies an immense methodology that even needs specific management skills for an appropriate application in the company. Nevertheless, this topic shows again that everything in life is calculated and is done for a purpose.

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Annexe

Annexe 1: Questionnaire of the survey

Reward systems and motivation among employees in Luxembourg

Welcome to this survey

Hello,

Currently I am writing my master thesis on the topic of reward systems in Luxembourg. The survey's aims are to collect individual opinions on motivation and to get an overview of the different reward systems used in Luxembourg.

This Survey is anonymous and will take about 10 minutes to be completed.

The questionnaire is targeted to people who work in Luxembourg.

Do not hesitate to contact me if you have questions: schreiner.lisa@live.de

Thank you in advance,
Lisa Schreiner

Reward systems and motivation among employees in Luxembourg

General Information

* 1. What is your gender?

Male

Female

* 2. What is your age?

18 to 24

25 to 34

35 to 44

45 to 54

55 or older

* 3. In what country do you live?

* 4. Please choose the sector in which you work:

- Financial Institution or Bank
- Public Services
- Education Sector
- Service sector
- Private sector
- Other (please specify)

* 5. What is the highest level of education you have completed?

* 6. How many years have you worked until now?

- < 5
- 5 - 9
- 10 - 19
- 20 - 29
- 30 - 40

7. How long are you employed at your current employer?

* 8. Which of the following best describes your current job level?

- Entry Level
- Intermediate
- Middle Management
- Senior Management
- Owner or Executive

* 9. About how many employees work at your organization?

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Reward systems

* 10. Is your salary determined by a labour agreement (convention collective)?

- Yes
 No

* 11. Which rewards do you receive? (more answers are possible)

- Fixed monthly salary
 Variable monthly salary
 Company car
 Company housing
 Business travelling
 Meal vouchers
 Consumption advantages - vouchers
 Interest discounts on credits
 Additional retirement pension
 Child Care
 Other (please specify)

* 12. Do you believe that the rewards you receive are:

- not high enough
 fair
 too high

* 13. Do you receive bonuses? (more answers are possible)

- I do not receive a bonus
- % of the annual sales or earnings
- performance bonus without evaluation
- performance bonus with evaluation
- vacation bonus
- 13th month salary
- 14 month salary
- Other (please specify)

* 14. Do you believe that the bonuses you receive are:

- not high enough
- fair
- too high

* 15. Are the following aspects important for you at work?

	Highly important	Important	Undecided	No importance at all
The work content itself	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The workplace	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transfer of responsibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Career options	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Working atmosphere among employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Success in performing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Image of the company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Motivation

* 16. Could you please arrange these six work motives:

	Totally motivated	Motivated	Undecided	Not motivated	Absolutely not motivated
Performance motive: achieve a performance goal	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Money motive: execute a job for the money	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Societal motive: be a team member	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Security motive: have a safe workplace	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prestige motive: get up quickly and make career	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competence motive: be an expert in your job	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 17. Which of the following factors would increase your motivation? Please select a period of time!

	Increase of motivation	No motivation	0-6 months	6-12 months
Providing of a free parking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Providing of a pay parking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Meal Vouchers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Company Car	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance Bonus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Raise of the montly salary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pay of 13th month	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
% of annual sales bonus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consumption advantages - Vouchers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Teambuilding, Final year party etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Title & Career	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Additional retirement pension	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Child care	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Additional vacation days	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* 18. What could be the motivations to change the employer? (more answers are possible)

- More attractive rewards
- Organization of working time
- Interest of the position
- Better geographical situation
- Career options

Other (please specify)

* 19. For 2018, what will have the most important influence on your motivation to work?

Reward systems and motivation among employees in Luxembourg

Thank you for having participated in my Survey.

I appreciate your help!

Kind regards,

Lisa Schreiner

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