

Pay and rewards in non-profit organizations - An assessment of employee motivations in the homeless sector in England

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**Abstract**

Pay for performance (PfP) schemes have been a widely recognized phenomenon in non-profit organisations despite having generated controversial discussion in the literature so far. Non-profit literature strongly emphasizes arguments against the implementation of pay for performance compensation systems. The main rationale behind this is a lack of competition and the use of highly intrinsically motivated employees. However, one could argue whether the changing environmental conditions of the non-profit sector in the UK hold these assumptions as true. Changes in the nature of funding in the UK have contributed to the creation of a contract culture where grants are made based on a specific service provision instead of the general purpose of a charity.

The contract culture implies tighter controls and performance standards for staff delivering front-line services in community care, health, social services and homelessness. Non-profit providers are put in a position where they have to bid against each other to deliver pre-determined services resulting in a very competitive operating environment. This paper seeks to address, first, whether a new competitive and performance driven environment could change the reward preferences of non-profit employees whereby PfP becomes a rational choice of incentive to increase organisational performance and second, whether PfP acts as a motivator for nonprofit employees to improve their work or the adoption of a popular management practice such as PfP can only serve as a way of increasing organisational legitimacy and signal to funding bodies a more business-like attitude.

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