

SECTION: ECONOMY

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PERCENTAGE VS FIXED RATE + BONUSES: BEHAVIORAL ECONOMICS OF MASTERS' PAY

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Money is never just a number on a payslip or a balance in the bank. For people who rely on their skills and manual work, the way they are paid often shapes how they think about themselves. A plumber fixing a burst pipe, a hairdresser welcoming someone into the chair, a mechanic bent over an engine, a teacher standing in front of a class, or a designer polishing off a project - all of them see their wage as more than the cash they take home. Pay is a signal. It tells them their effort counts, that their time is worth something, and that they are respected for what they do. So when workers speak about being “paid fairly,” they usually mean more than just earning enough to get by. What they are really asking for is acknowledgment and a sense of dignity. That is why the pay system itself is never just a technical choice; it has a direct impact on how people feel about their work and their place in it.

There are two models that stand out in most industries. One is percentage-based pay, where earnings rise or fall depending directly on performance - how many clients are served, how many projects are finished, how much profit is generated. The other is a fixed salary with bonuses, where workers receive steady, predictable pay, with the chance of extra rewards for quality, effort, or loyalty. At first sight these might look like technical details, two different ways of splitting money. But when we examine them through the lens of behavioral economics, we see how they shape behavior, motivation, teamwork, and even emotional well-being [2, p. 211].

The simplicity of percentage pay is appealing. Do more, earn more. If a carpenter builds ten chairs, he makes more money than if he builds five. If a hairdresser styles twenty clients in a week instead of ten, her pay doubles. The rules are transparent. There are no long meetings with managers, no uncertain annual evaluations. Effort becomes money almost instantly.

For ambitious workers, this system feels empowering. Take the case of a young mechanic opening his own garage. Every car he repairs is not only an achievement but also a visible increase in income. He sees progress in real time. Each extra customer feels like a personal victory. That sense of control is motivating in itself. Unlike fixed pay, which feels immovable, percentage pay makes every decision, every action, matter financially.

This is why commission pay is common in sales, freelancing, and creative fields. People who thrive on independence often prefer it. They want to feel like entrepreneurs of their own effort, free to push harder and reap the rewards. The model speaks directly to that sense of ownership.

But freedom comes with cost. Life rarely stays stable. Seasons change, markets shift, clients cancel. And when business slows, so does pay. Behavioral economics helps explain why this hurts so much. People do not feel gains and losses equally. Losing \$200 cuts deeper than gaining \$200 brings joy. This phenomenon - loss aversion - means that workers on commission often experience bad months as disproportionately painful [3, p. 2281].

Imagine a hairstylist in December, when customers flood in before holidays. She may earn far above her usual average. But in February, when clients stay home, her income falls. Even if the year balances out, the sting of the slow season leaves a lasting impression. Over time, the ups and downs can become exhausting. Instead of empowerment, the worker feels anxiety. Instead of independence, there is pressure.

Many workers react by pushing themselves harder. They take longer hours, skip rest, or rush through tasks to squeeze in more customers. The danger is not only burnout but also declining quality. Clients who once came for care and attention may find the service rushed or sloppy. What began as a motivating system can spiral into stress and declining standards.

Another consequence is how percentage pay shapes relationships. When income is tied strictly to personal output, the natural instinct is to guard one's opportunities. Why share a valuable trick with a colleague if it might give them an edge? Why spend time mentoring a trainee if it reduces one's own earnings?

In industries built on competition - sales, freelance design, real estate - this sharp edge can spark energy. Rivalry can push individuals to innovate, to hustle, to find creative solutions. But in environments where cooperation is essential, such as hospitals, schools, or workshops with shared projects, the same incentives weaken bonds. Workers stop sharing knowledge. The workplace becomes a group of individuals chasing their own gain rather than a team striving together. Over time, trust fades, and collaboration suffers [1, p. 47].

Getting a fixed wage gives work a very different feel than being paid by percentage. The strongest promise behind it is security. A worker knows that no matter if business is busy or quiet, their pay will arrive at the end of the month. For many people, that reliability is worth more than anything. It lets them make plans, sign up for a loan, or simply sleep at night without the fear that a bad week will leave them short. Having a regular paycheck also builds attachment to the workplace - people are much less likely to leave an employer who gives them that kind of steady ground to stand on.

There is also a human side to this stability. A regular paycheck tells workers that the company sees them as more than just "units of output." It suggests respect, a longer-term relationship, and a sense of partnership. The message is: we want you to stay, and we trust you to be part of this place for the long run.

Still, stability has its limits. If a person earns the same amount no matter how much effort they put in, the drive to go beyond the minimum can fade. To prevent that kind of stagnation, many employers add bonuses as an extra spark of motivation.

Bonuses act as sparks. They give workers reasons to stretch further - not just to meet basic expectations but to exceed them. A teacher whose students perform exceptionally, a factory worker who reaches higher production, or a customer service agent praised for their patience - all may be rewarded. The money matters, but so does the message: your extra effort was seen and appreciated. Recognition, in behavioral terms, can be as powerful as the cash itself.

Design, however, is everything. If bonuses are too small, irregular, or based on unclear rules, they lose their motivational power. Worse, they may foster resentment. Workers may feel manipulated or suspect favoritism. On the other hand, overly aggressive bonuses can recreate the stress of commission pay, with people competing desperately instead of feeling secure. The art lies in balance: a safe base, with bonuses meaningful enough to inspire without destabilizing [3, p. 2282].

Not everyone responds the same way to pay systems. Some thrive on risk, seeing opportunity in variability. They welcome the chance of higher rewards, even if it means some dry spells. For them, percentage pay is thrilling, even liberating. Others, however, find uncertainty unbearable. For them, the stress of not knowing tomorrow's income outweighs any potential gain. They would rather accept smaller, steady pay than gamble for bigger, unstable sums.

Behavioral economics calls this risk aversion. Most people lean toward caution, but in every workforce there are natural entrepreneurs, optimists, and gamblers who want more than safety - they crave the challenge of variability. No single system will satisfy both equally.

Culture also plays a role. In competitive societies that value personal achievement, percentage pay feels natural. It reinforces the story: work harder, and you will succeed. In cooperative cultures, where harmony and shared responsibility are prized, the same system can feel divisive. Workers may see it as turning colleagues into rivals.

Even within one country, industries differ. Sales teams often live on commissions, while hospitals rely on collaboration, where stable salaries dominate. Schools may add bonuses carefully, to encourage without undermining unity. Culture shapes not just what workers expect but what they accept as fair.

Wider economic conditions add another layer. In booming markets, variable pay feels generous and motivating. Workers embrace the risk because opportunities abound. But in uncertain or declining times, the same system becomes punishing.

The COVID-19 pandemic provided a stark example. Workers reliant on tips, commissions, or per-piece pay were hit hardest when demand vanished overnight. Those with fixed salaries had at least a cushion of stability. The crisis revealed just how vulnerable purely variable income can be.

Since no pay system is perfect on its own, many businesses end up using a combination. In these cases, the worker is given a fixed wage that provides stability, and at the same time, there are chances to earn something extra if they go beyond the basics. The guaranteed part brings security, while the additional rewards keep people motivated to do more [2, p. 217].

For example, think about a car repair shop. The mechanics there receive a steady paycheck that covers their main expenses, but they can also make extra money if they

complete more jobs or if customers are especially satisfied with their service. In the technology field, pay is usually consistent each month, but bonuses are often linked to new ideas or creative problem-solving. In sales, the mix is often reversed: the basic salary is smaller, and commissions form the bigger part, pushing employees to stay active and ambitious.

This kind of hybrid pay reflects what people really want: a balance. Most workers need to feel safe and secure, but they also want to know that their extra effort will not go unnoticed. A fair mix of both elements helps satisfy these two sides of human motivation.

The larger lesson is clear. Compensation is never just about numbers. Workers are not machines calculating income equations. They are human beings, with emotions, hopes, fears, and a powerful sense of fairness.

Percentage pay appeals to independence and ambition but risks stress and instability. Fixed salaries bring peace of mind but can dull motivation without recognition. Bonuses can inspire but only if they are fair, clear, and balanced.

There is no universal solution. The right choice depends on the people involved, the culture of the workplace, and the wider economy. Employers who understand these dynamics can create systems where people feel both secure and inspired - where loyalty grows, effort feels worthwhile, and pride runs deeper than the paycheck itself.

References

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SOSIAL İŞİN İDARƏETMƏ SƏVİYYƏLƏRİNDƏ QIYMƏTLƏNDİRİLMƏSİ VƏ TƏKMİLLƏŞDİRİLMƏSİ

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Xülasə

Bu tədqiqat sosial işin idarəetmə səviyyələrində qiymətləndirilməsi və təkmilləşdirilməsi proseslərini araşdırmaq məqsədilə aparılmışdır. Tədqiqatın əsas məqsədi sosial xidmətlərin idarəetmə strukturlarında mövcud vəziyyətin qiymətləndirilməsi, sosial işçilərin fəaliyyətinə təsir edən idarəetmə amillərinin müəyyən edilməsi və sosial xidmətlərin keyfiyyətinin artırılması üçün təkmilləşdirmə strategiyalarının işlənib hazırlanması olmuşdur. Araşdırmanın obyektı sosial