

Motivation Theory Applied to the Allowance/Chore Debate

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So you've got kids and you're beginning to give thought to the idea of giving them an allowance. If you're like most people, you'll follow one of two typical allowance approaches.¹ The first approach ties allowance to the completion of chores. The second approach emphasizes allowance as practice money to teach basic money management skills. Both approaches teach important lessons. But is one approach more effective than the other? Turns out, the answer is yes.

My goal is to address the two allowance approaches in a way that gets you to think beyond any personal experiences or biases you may have. To do that, I'm going to use current research in motivation theory to determine the effectiveness of each approach.

Motivation

What motivates us? That was the question asked by psychologist Edward L. Deci over three decades ago. Since then, his research and collaborations with Richard M. Ryan, combined with the research of countless others, has given us a framework within which we can come to understand human motivation. This framework, called Self-Determination Theory, developed out of the study of extrinsic and intrinsic rewards, the two forces, if you will, that move us to do something.

Extrinsic rewards come from without. Think stickers, grades, and candy. The focus is the reward so once the reward is removed, the desired behavior typically disappears. In addition, because we habituate quickly to extrinsic rewards, the reward needs to increase over time in order to maintain the desired behavior.

Intrinsic rewards come from within. They are things like the sense of accomplishment or personal challenge that we feel as a result of doing something that we find interesting. Intrinsically motivated people were found to be persistent, hard working, and happier when they felt they were in control of their own lives. Self-Determination Theory attributes these findings to meeting three psychological needs: autonomy, competence, and relatedness.

- Autonomy refers to our need for free choice.
- Competence is our desire to master things that are interesting to us.
- Relatedness refers to our need to be connected to others.

The conclusion from the research is that intrinsic rewards, rewards derived from the activity itself, are more sustaining and contribute more to our personal well-being than extrinsic rewards, rewards that come from without. In fact, extrinsic rewards were found to have a substantial undermining effect on intrinsic motivation.

Self-Determination Theory Applied to Allowances

How do two seemingly unrelated topics – Self-Determination Theory (SDT) and kids' allowance – fit together? Since it makes sense that we would want to promote intrinsic motivation in our kids, we can use SDT to evaluate how well each of the allowance approaches promotes the three psychological needs of autonomy, competence, and relatedness.

Approach 1: Allowance as Compensation for Services Rendered

Teaching kids that work = pay is important. Kids learn the value of money when they have worked hard to earn it. Besides, we don't want our kids to grow up expecting that everything is going to be handed to them. So there is merit to wanting kids to earn their allowance. But is tying money to the completion of chores an effective way to give allowance?

According to research, extrinsic rewards, although they may work initially, are not sustaining motivators. Remove the reward, in this case the allowance, and the chores don't get done. It's usually the result of an if/then reward system where the reward is interpreted as a controller of behavior. *If you do your chores, then you will receive an allowance.* Since control is being forced from the outside, the sense of autonomy is lost along with the interest in completing the tasks. In other words, there is no intrinsic motivation.

Ah, you may say, but the child does have autonomy, he does have a choice. He can choose to do the chores or he can choose not to do the chores. But from a child's perspective, there is a perceived notion of non-choice. The message being sent is that it is his responsibility to get the work done and he's expected to do them. He's savvy enough to know that, by not doing the chores, he's defying the wishes of the parent.

And what happens when he decides the money is not worth the effort? There are two "consequences". First, he may find out that he doesn't really have a choice. The chores must get done. The problem with this approach is that it has now turned from teaching the earning of money to using money to control behavior. Not only is this situation prime for arguments and power struggles, but the objective of the allowance has been lost.

Second, he may discover that by not completing the chores his allowance money is withheld. Fair enough. Except that when a child chooses not to do the chores, he's showing that he's not motivated by the money. So withholding the money has little impact. Besides, withholding the money means the opportunity to learn how to effectively manage it has also been removed.

There are some other unintended consequences, as well. Kids may develop an *I'll only do this if I get paid* mentality. This creates entitled kids who feel that everything has a price tag. In addition, when kids are forced to complete their chores before receiving a "reward", there is little motivation to do the job to the best of their ability. Kids see it as work that is important to someone else, and as such, find very little personal interest in it.

These unintended consequences make it difficult for kids to develop a true sense of work ethic. Developing initiative, persistence, diligence, and hard work - all important work ethic characteristics - comes when we feel we are in control, we are doing work that matters, and we are a part of something bigger. In other words, it comes when we are intrinsically motivated.

Is the allowance-as-compensation-for-services-rendered approach effective? Tying allowance to completing chores can help kids make the connection between work and pay. But from an SDT perspective, the autonomy, competence, and relatedness necessary to develop the intrinsic motivation needed for a strong work ethic, are all missing with this approach.

Approach 2: Allowance as a Way to Teach Money Management

Having kids learn how to save, share, spend, borrow, budget, and invest are all important life skills. It's hard to learn these without money. And one way to get money into the hands of kids is through regular allowance payments that are not tied to the completion of chores. But does giving kids an allowance really teach kids money management skills?

The answer depends on how the allowance is given. If we give kids an allowance and then the personal control over what happens to that money (within reason, of course) we are tapping into their autonomy, their need to direct their own lives. They decide whether or not to buy the stuffed animal. It may be the right choice. It may be the wrong choice. But either way, they are learning about making choices which is an important money management skill.

In addition, when kids direct their learning this way, the learning becomes more powerful. That's because it's done in the context of something that is meaningful and relevant to them, tapping into their psychological need for competence. Take the child who decides to buy the stuffed animal. She gets it home and never plays with it. Later, with the guidance of her mom, she realizes that buying the animal was probably not a good choice. She's learning about needs and wants, spending wisely, and opportunity cost...all important money management skills, and all within the context of what is meaningful to her.

An allowance given as a tool to teach money management is also a great way to build trust with our kids. This has a direct impact on the psychological need of feeling connected. Most kids see "money stuff" as "adult stuff", and they're fascinated by adult stuff. So by giving them the responsibility of learning how to effectively manage their money, we're showing them that we trust them to learn how to make good decisions with their money. And for a kid, trust is pretty motivating.

But what about the child who receives an allowance with no expectations attached?² This type of allowance is not a good learning tool and contributes to the idea of creating a different kind of entitled child, a child who gets money for simply existing. In order for the allowance to serve as a money management tool, the parent and child need to define the specific expectations for the allowance program. Working collaboratively, they agree on compensation, spending responsibilities, budgeting, etc. This collaboration is important because intrinsic motivation is more likely to develop when we are able to interact and feel connected to others.

One more question to ask: Is the allowance in the case of teaching money management an intrinsic or extrinsic reward? Since there is no real significance attached to the money itself, it is considered a task-noncontingent reward. Task-noncontingent rewards happen when rewards are necessary, however are not used to motivate performance. In other words, the allowance is needed for the purpose of learning how to manage it, but it is not used as a control mechanism. It's the way the allowance is handled, not the allowance itself, that is the motivator...and in this case, the intrinsic motivator.

Is the allowance-to-teach-money-management-skills approach effective? As long as the expectations for the allowance are clearly defined, giving kids an allowance to teach money management is effective. It allows for the autonomy, competence, and relatedness that research has shown is important for us to produce our best work and enjoy what we are doing. However, simply giving kids an allowance does not teach the money management skills of earning money.

Tapping Into Intrinsic Motivation to Teach Kids to Earn Money

Learning how to effectively manage money is an important life skill. But equally important is teaching kids the work ethic of earning money. Kids who learn how to earn money learn the work ethic of persistence, initiative, hard work, and diligence. The good news is, we can teach earning to kids within the context of Self-Determination Theory.

The key is to encourage initiative in kids. Initiative comes from within making it intrinsically motivated. We can encourage initiative by providing kids with opportunities. In this case, it's the opportunity to earn extra money and it begins with what I call *Above-and-Beyond Jobs*.

Above-and-Beyond Jobs are those jobs that the parent would typically do or pay someone professionally to do, but get offered to the child for the purpose of learning how to earn money. They are jobs such as mowing the lawn, weeding, and washing the car. They're called *Above-and-Beyond* because they are different than the responsibilities kids have simply by default of being a member of the family. We don't pay kids to take out the garbage or make their bed. Having kids share in the responsibility of running an efficient household taps into their psychological need to be connected to others. They *want* to be a non-paid contributing part of the family...even though they may not be aware of this and may resist from time to time.

When deciding on the list of *Above-and-Beyond Jobs* and corresponding pay, collaboration between parent and child is important. We are more inclined to pursue something and perform it well if we feel we've been a part of the process. Once the list is complete and posted someplace visible, kids can choose freely among the jobs. Having choice increases their intrinsic desire to want to take on a task.

Why do *Above-and-Beyond Jobs* work, especially given that kids are already receiving money? It's all in how the allowance system is set up. When considering an allowance amount, kids need to be able to pay for most of their discretionary items. This is important because they need to work on their money management skills. But the amount they receive should not cover everything they want. This gives kids two choices when they don't have the money to buy something: save their allowance or tap into the

Above-and-Beyond Jobs. Saving up allowance takes time. *Above-and-Beyond Jobs* are immediately accessible.

In addition, when kids are given the autonomy to choose an *Above-and-Beyond Job*, they're more likely to take the initiative when they need the money. And, as an added bonus, because they are not being forced to do the work, the potential for power struggles and arguments has been removed. Again, this translates to kids who are more likely to pick up a shovel, rake, or sponge.

The SDT framework tells us that it's not necessarily the actual job that's important but that the job allows for our three psychological needs. So if your child chooses to shovel snow, she may not be passionate about pursuing that as a career, but the fact that she chose it (autonomy) from a list that was created collaboratively (relatedness) and can figure out the best way to do it (competence) is what will help her to develop important work ethic characteristics.

Final Thoughts

Parents who choose to give their kids an allowance are looking for ways to educate them about money. Sometimes that education focuses on the earning part of money and sometimes it focuses on the management part. Both are important life skills we need to teach our kids in order to help prepare them for their eventual financial futures.

The good news is, kids are, by nature, curious about how money works. And any time kids are curious, there's an automatic intrinsic desire for them to want to learn more. We don't want to squelch this curiosity by imposing too much control. Instead, current research in motivation theory has given us a way to design an effective allowance program that can help kids learn to earn and manage money in a way that supports this intrinsic motivation.

It begins by removing the control that comes from tying allowance to chores and giving kids personal responsibility for managing and earning money. This allows kids to direct their learning in a way that is meaningful to them which leads to more powerful learning experiences. And when it comes to kids learning about the management and earning of money, the more powerful the lessons, the better equipped they will be to take on the financial opportunities and challenges that await them.

¹ According to a 2008 Charles Schwab parents and Money survey, 29% of parents surveyed give their kids an allowance that is tied to chores and 28% give allowance as a way for kids to practice money management.

² According to a 2008 Charles Schwab parents and Money survey, 19% of parents surveyed give their kids an allowance not tied to chores or for practice but so that their kids will have spending money.

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