

Employees are Motivated through Financial Reward

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Abstract: *The performance of every Organization depends upon its planning, methodology, resources and most importantly its human resource. Employees are the vital most elements for any organization and it makes an effort to hold its employees for long since they are selected after a time and effort consuming process of recruitment and selection. The purpose of this research paper is to find out the impact of financial rewards over employee performance level and motivation level. The research has been carried out through questionnaires, where it has been filled by faculty members, bankers, employees at FMCGs and part time working students. The focus of study is to find out the relationship between financial rewards and performance of employees as to check whether with the growing inflation rate and needs, people are satisfied with their work and non-monetary rewards or they seek for more and more monetary rewards to meet their needful.*

Keywords: Motivation, Employee Satisfaction, Performance, Financial Reward.

1. Introduction

Employees are the essential part of an organization. They are the means to achieve organizational goals and objectives. Every employee differs from other with respect to his or her experience, education level, status in an organization or due to his or her skills and competencies.

They are an asset of the organization and in other words asset for the Country because they are the means through which objectives are attained and revenue is generated. Once employees obtain and understand the company's goals and objectives, it's highly important to motivate them to perform the required work productively. Most industries today require a manager who can generate excitement and energy among employees about their work. Excited employees are able to work harder and more effectively. Employees who are disinterested and lack motivation tend to do a project just to suffice, if they do it at all.

Motivating employees can be one of the most difficult, yet important task to be performed by a manager. It requires knowledge of employee's likes, dislikes, wants, needs, goals and objectives. Because of the differences among people, not everyone will be motivated by the same thing(s). It needs to be determined which factor motivates the employees more. Some are motivated through financial rewards and some are motivated through non-financial rewards. Some people need healthy salary, some need bonuses, some need cash reward, some need car allowances etc. whereas there are others who need recognition, status, promotion, and similar other forms of rewards.

I conducted a study to figure out in general how much employees are motivated by the financial rewards. I have taken a sample of 100 and have conducted survey from people belonging to different profession in order to see the impact of financial reward over the performance of employees.

2. Literature Review

This is a semantic argument. The idea is whether money can be used as a tool to change employee behavior in a desirable direction. It is unfortunate that in most companies and for

most jobs, pay is a small factor in managing and changing employee behavior. However, inadequate use of incentive plans and problems with compensation design and strategy are usually to blame. Behavioral scientists, employee and management surveys, and my client experiences show compensation can be a strong driver of employee behavior under the right circumstances when properly designed. In a survey of over 1500 compensation and productivity professionals by the American Compensation Association and the American Productivity Center various types of compensation or rewards systems that they utilized were rated as having a "Positive" or "Very Positive" impact on performance in 66% to 89% of the companies where the companies used specific techniques such as gain sharing, small group incentives, profit sharing, individual incentives, and lump sum bonuses (source: "People, Performance, and Pay").

In a national survey of 1200 randomly selected U.S. employees across many different types and sizes of companies 54% of employees rated direct financial compensation as "very important" or "extremely important" to motivation. When stratified by age group there was statistically insignificant difference by age group. Gen X and Gen Y were no different than Baby Boomers in this respect (source: "The Rewards of Work - What Employees Value")

In a national survey of 2500 employees, 84% of those who understood their organization's reward/performance link believe they can help make a difference. If they also believe that the company will share its success when the strategy is achieved, 91% say they are motivated to help the company succeed (source: Workplace Index).

In a study of 663 companies with performance reward compensation plans covering 1.3 million employees and a broad section of the workforce of each company (not just managers and salespeople) by the American Compensation Association, they found that at the median, organizations earned \$2.34 for every dollar they spent on payouts; thus a close approximation of the net return on plan investment is 134% (source: "Organizational Performance and Rewards").

In Punjab a study was conducted by Rizwan Qaiser Danish Chairman, Department of Business Administration University of the Punjab, Gujranwala Campus. According to his research, human resources are the most important among all the resources an organization owns. To retain efficient and experienced workforce in an organization is very crucial in overall performance of an organization. Motivated employees can help make an organization competitively more value added and profitable. The present study is an attempt to find out the major factors that motivate employees and it tells us the relationship between reward, recognition and motivation while working within an organization. The data were collected from employees of diverse type of organizations to gain wide representation of sectoral composition. In all, 250 self administered questionnaires were distributed among the employees of different sectors and they returned 220 completed useable questionnaires for response rate of 88%. The participation in survey was voluntary and confidentiality of responses was ensured. The statistical analysis showed that different dimensions of work motivation and satisfaction are significantly correlated and reward and recognition have great impact on motivation of the employees.

3. Objective

I want to conduct a survey to analyze how much employees value monetary reward while opting for their job and how much they are motivated on their job with the level of pay they are given

Variable

Monetary reward or Financial incentives are the type of incentives which serves as a motivator for employees to perform better on their job it's the independent variable here. Now its impact is seen over employees performance & motivation which serves as dependent variables.

Data

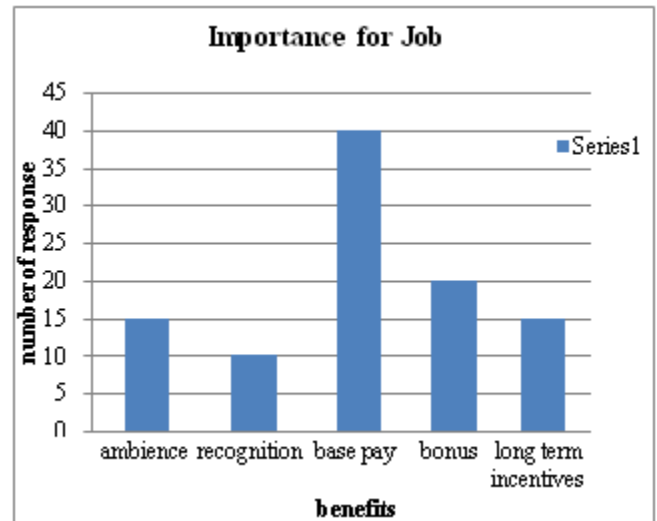
Collected by questionnaire of a sample of 100 people

4. Descriptive Analysis of Questionnaire

1. When you apply for the job, which factor you give most importance to?

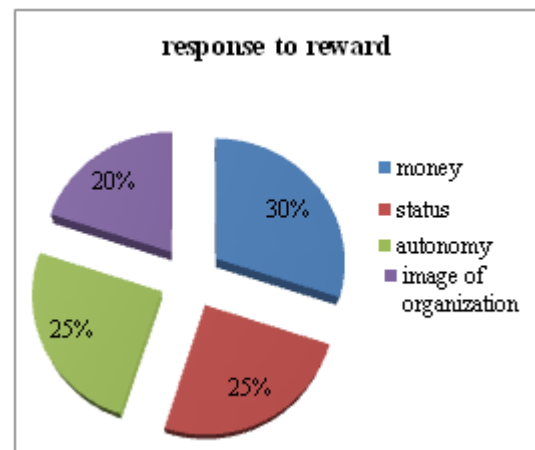
On questioning this I got to have a collection of different views from a sample of 100 respondents. In today's world people give utmost importance to base pay, around 40 people said they give importance to base pay since they want it to meet up with basic needs of life in these times of extreme recession. 20 people said they want bonuses to support their base pay, they should have increased number of bonuses, to them a nominal amount of base pay is fine, 15 people said while applying for the job they see how much long term incentives they are being paid, because they want to secure their future, 15 people said they see the ambience of the organization because they feel that the environment should be healthy enough to keep everyone involved in their work and 10 people said that they value recognition that they

would be paid, or they generally get to know from others that is provided on job.



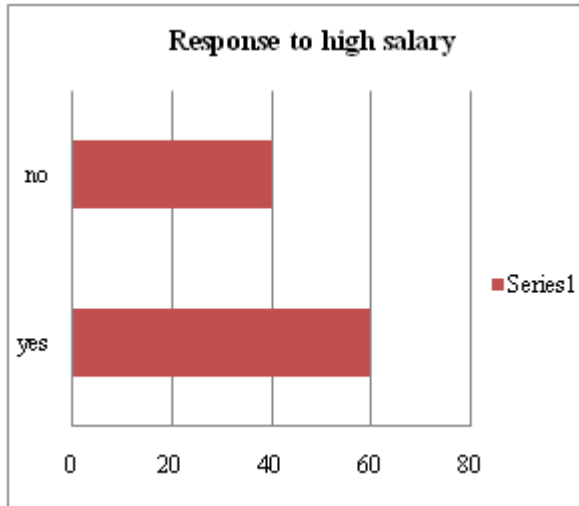
2. What motivates you while working in an organization?

People who are working in this corporate world, they see salary as their immense motivator 30 people said that they are motivated with the amount of salary or money they are being paid on job. 50 people said they are motivated through autonomy and status (25 each), that if they have this on their job they feel highly committed and engaged in their work and lastly 20 people said that they are motivated with the image of organization, how sophisticated the environment is, how much facilities are being provided at the place provides that a zeal to do more work.



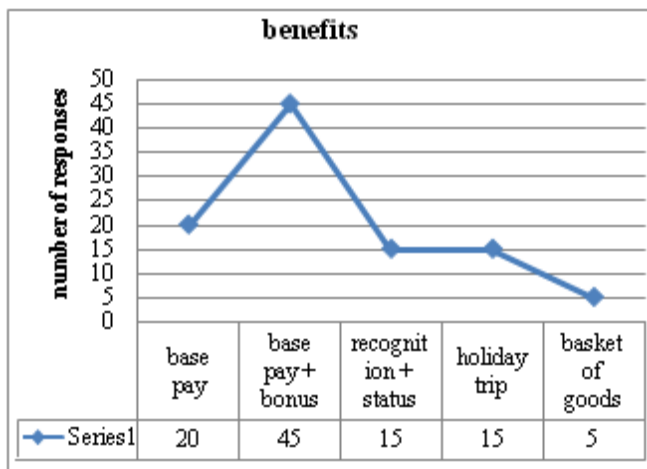
3. Does high salary motivates you?

High salary can be or can't be a big motivator, but in my survey I acknowledged that with the current scenarios high salary is a big motivator, people switch for high pay because their needs are not met with increased level of inflation. 60 people said that yes they are strongly motivated through high salary where as only 40 people said no.



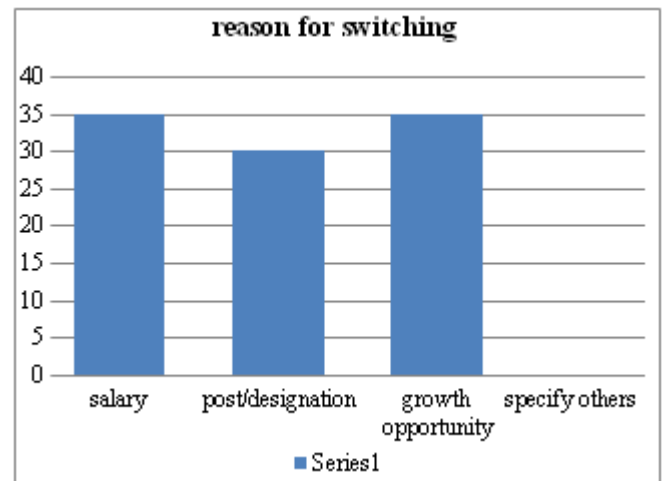
4. As an employee what would you like?

As an employee 45 people maximum of all said that they want base pay + bonuses at their job, so that they can earn good. Majority of such people were young who said that they see pay and bonus as most important. Where as 20 people said to them base pay is important and commission and bonuses can vary with time sometimes you get them and sometimes you don't, since companies keep changing their policies. 30 people said they like recognition and holiday trip (15 people each) however only 5 people showed importance to basket of goods to be given on job as additional value.



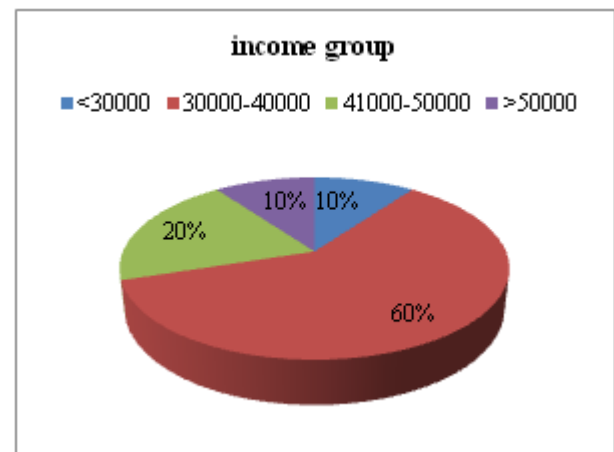
5. On switching from one job to another, what would be your most preferred reason?

People in today's world usually switch job for two main reasons, one is salary and another is growth opportunity. 70 people out of 100 said that to them salary and growth (35 people each) is important and that is why they leave the organization and move on. However 30 people said that they leave organization to have a better designation because to them high designation brings them increased value and increase in status.



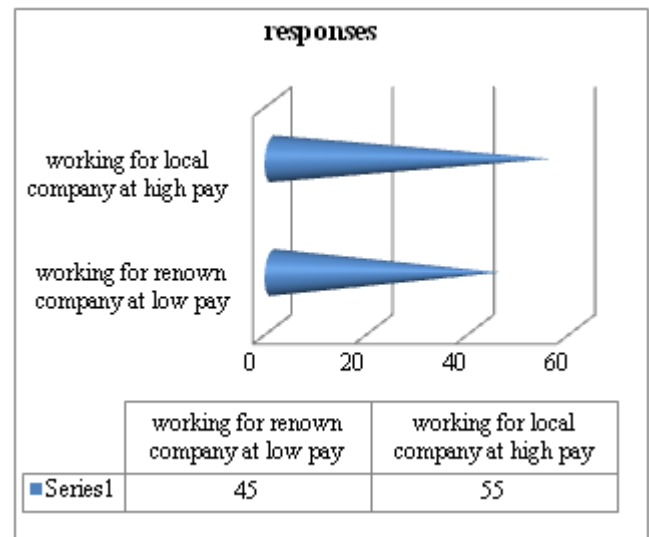
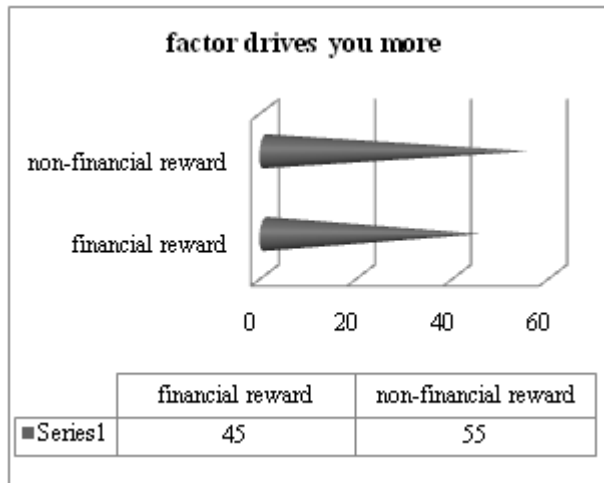
6. What is your income group?

In the sample of 100 that I surveyed, 10 people belong to the income group below 30000, 60 people were those who belonged to the income group of 30000 to 40000, however there were 20 who belonged to the income group of 41000 to 50000 and only 10 were there who exceeded an income level of 50000.



7. Which factor drives you more?

Although according to my research, majority people said that they value base pay and want an increase in their salary, but this result was a bit contrary to the results. 45 people said that they are motivated through financial rewards, whereas 55 people said that they are motivated through non-financial rewards. Now this was genuine or they were suppressed by peer pressure that they picked non-financial reward as of superior value can't be judged.

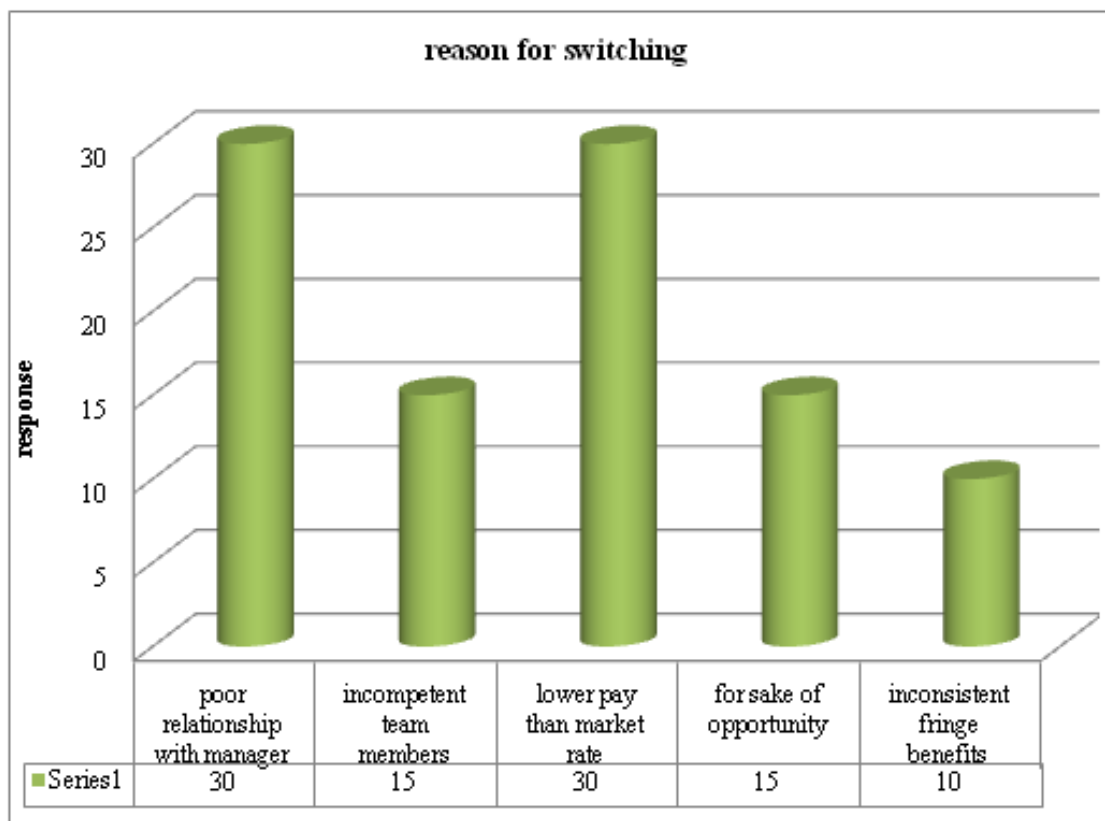


8. Choose any 1

On questioning this question I found out that 45 people said that they are much more interested in the name and fame of organization, they can work with any big name at low pay, irrespective of the fact that local companies are paying more. However there were 55 people said that they would like to work in a local company where they are being highly paid since this way they can meet up with the needs of their family earn security and peace in life and fight with the increased level of inflation.

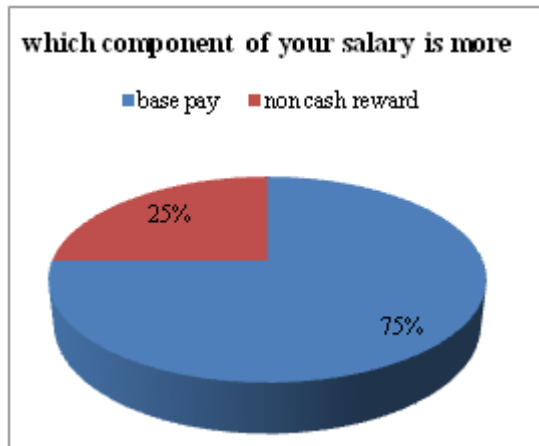
9. You left or if intend to leave your job, what would be the reason?

To this question I got the response that 60 out of 100 said that they would leave the organization if they have poor relationship with their manager or they are being poorly paid (30 people each) whenever they have the best possible opportunity to switch. Where as 30 people said they would leave the company if there are incompetent team members or for the sake of growth opportunities (15 people each). However 10 people said that their reason of switching job would be inconsistency in their fringe benefits.



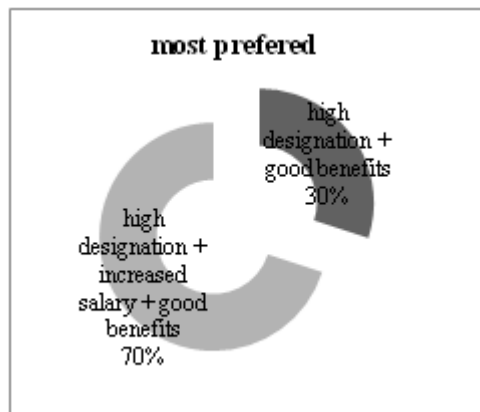
10. Which component of your salary is more?

To this I got an answer which made me analyzed that in today's world majority of people are working to earn good because 75 people out of 100 said that their base pay is more which means that they were looking for jobs which can pay more since they have high value for money and this proves that they are highly motivated through monetary rewards, whereas only 25 people said that their non cash rewards were more which means that these people don't show much of importance to money rather they look for growth and other benefits that they are being paid on job.



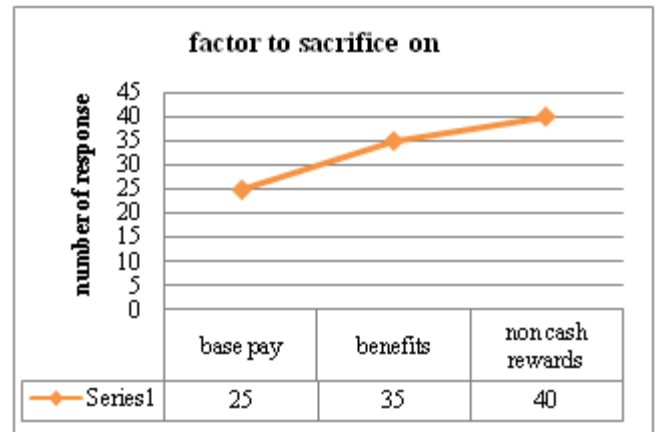
11. What would you prefer most while you are promoted?

On getting promoted, 30 out of 100 said that they want better designation and good benefits whereas 70 people exist in my target who says they want better designation, good benefits as well as high salary to have a proper and a better fit in the market.



12. In case your salary package is changed, which component would you sacrifice on?

If ever the salary package is changed for an employee for any specific reason, 40 people said that they can sacrifice over their non financial reward, to them it matters not if they are not given better ambience, a healthy network, a consistent and performing team etc, they can sacrifice over all this but not money. Whereas 35 people said they can sacrifice over benefits that they are being given and only 25 people said that if ever any changes are made they can sacrifice over their base pay.



5. Methodology

The methodology that I have opted in my survey is primary data; I have collected data by questioning 100 people within the CBM premises, from Jinnah University and on net. Now on the basis of the data that I have collected I will conduct a following analysis:

H0: 90% employees are motivated through monetary reward
H1: 90% employees are not motivated through monetary reward:

- The Significance level is 5% and
- The Confidence Interval is 95%

This is my main hypothesis which I have analyzed by making relationships setting other hypothesis.

1. Motivation and Income Group

Overall Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Motivation for Salary * Which factor drives you more?	100	100.0%	0	.0%	100	100.0%

Motivation for Salary * Which factor drives you more?
Cross tabulation

Count		Which factor drives you more?		Total
		Financial Reward	Non-Financial Reward	
Motivation for Salary	No	6	35	41
	Yes	29	30	59
Total		35	65	100

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	12.669 ^a	1	.000		
Continuity Correction ^b	11.198	1	.001		
Likelihood Ratio	13.577	1	.000		
Fisher's Exact Test				.001	.000
Linear-by-Linear Association	12.543	1	.000		
N of Valid Cases	100				
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.35.					
b. Computed only for a 2x2 table					

Symmetric Measures

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.356	.086	-3.771	.000 ^c
Ordinal by Ordinal	Spearman Correlation	-.356	.086	-3.771	.000 ^c
N of Valid Cases		100			
a. Not assuming the null hypothesis.					
b. Using the asymptotic standard error assuming the null hypothesis.					
c. Based on normal approximation.					

Ho: Motivation depends on Income Level

H1: Motivation donot depend on income Level

Analysis

Since t Pearson value and p fisher value associated with Chi-square is less than 0.05, hence we fail to reject Ho and agree on the point that motivation is dependent on income level. Higher the income, higher the motivation level will be.

2. Reward and Income Group**Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Income Group * Which factor drives you more?	100	100.0%	0	.0%	100	100.0%

Income Group * Which factor drives you more? Cross tabulation

Count		Which factor drives you more?		
		Financial Reward	Non-Financial Reward	Total
Income Group	Less than PKR 30,000	9	1	10
	30,000 to 40,000	37	23	60
	40,000 to 50,000	9	11	20
	More than 50,000	2	8	10
Total		35	65	100

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.908 ^a	3	.179
Likelihood Ratio	5.573	3	.134
Linear-by-Linear Association	.161	1	.689
N of Valid Cases	100		
a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 3.50.			

Symmetric Measures

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.040	.092	-.399	.691 ^c
Ordinal by Ordinal	Spearman Correlation	-.070	.094	-.696	.488 ^c
N of Valid Cases		100			
a. Not assuming the null hypothesis.					
b. Using the asymptotic standard error assuming the null hypothesis.					
c. Based on normal approximation.					

Ho: High income group need financial rewards

H1: High income group need non-financial rewards

Analysis

Since the pearson value is greater than 0.05 (0.0691), therefore we reject Ho and conclude that high income group require non financial rewards such as recognition, growth, job security etc

3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.195 ^a	.038	.028	.487
a. Predictors: (Constant), Motivation Factor while Working in an Organization				
b. Dependent Variable: Motivation for Salary				

Analysis

3.8% people prefer salary where as 96.2% looks other factors too + base pay

4. ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.924	1	.924	3.892	.051 ^a
	Residual	23.266	98	.237		
	Total	24.190	99			
a. Predictors: (Constant), Motivation Factor while Working in an Organization						
b. Dependent Variable: Motivation for Salary						

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.794	.114		6.948	.000	.567	1.021
	Motivation Factor while Working in an Organization	-.087	.044	-.195	-1.973	.051	-.174	.001

a. Dependent Variable: Motivation for Salary

Motivation= B1 + B2x (factors for working in an organization)

Motivation= 0.794 -0.087x (factors for working in an organization)

Analysis

According to this test, it shows that keeping all the factors constant, for salary motivation is not dependent on money only. Yes for people who are earning up to Rs40000, for them it's true that money is the direct motivator. However for people beyond this income group they want something extra something more likes status, autonomy, job security, recognition, growth, trips, dinners which plays a vital role in adding up their motivation level. If salary increases by 1 unit, but if employees are not satisfied than motivation for working decreases by 0.087 units.

6. Conclusion

The importance of reward in the day-to-day performance of employees' duties cannot be over emphasized, especially when it comes to being rewarded for a job done. It is a well-known fact that human performance of any sort is improved by increasing motivation. From this study it can be easily inferred that employee reward package matters a lot and should be a concern of both the employers and employees. The results obtained from the hypotheses showed that employees place great value on the different rewards given to them by their employers. Hence, when these rewards are not given, workers tend to express their displeasure through poor performance and non-commitment to their job. It's also seen that the motivation through financial reward declines when the income group increases. As through my research its witnessed that those who earn upto Rs.40,000 they are highly motivated through financial rewards and they prefer these rewards but as the income group increases to Rs.50,000 and more people want financial rewards in addition to it they are motivated when they are given autonomy, growth, status, recognition, trips to exciting places of the world etc. At this stage for them high pay or bonus is not a motivator it becomes a part of their need, when they have it, its okay but when they don't have it, it will dissatisfy them as its said in the 2 factor theory of Herzberg.

Many organisations are transforming themselves, flattening hierarchies, empowering workers and basing processes on

teams rather than individual performance. Reward and recognition systems are an important part of the change that is necessary for such transformation to be effective. A thorough rethinking and restructuring of reward and recognition practices which are aligned with new organisational goals and culture will give companies the focused energy they will need to succeed in challenging times. Those companies that use relevant compensation and rewards as strategic resource tools will be able to realise the tremendous potential of their employees, working together. This requires the reorganisation of incentive programs to encourage new employee behaviours aimed at achieving team and organisational goals. The types of teams operating and the stage of teamwork will dictate the incentives to be used to achieve worthwhile team and organisational goals. These rewards and recognition programs must also fit in with the culture and values that the organisation wishes to develop.

The study concludes that there is a direct relationship between employee's performance and organisations reward system. In case of low salary group, it is more important to develop such a reward system which has more emphasis on extrinsic reward. Similarly, high income group could be more motivated through intrinsic reward. Well defined job description leads to high performance rating in the organisation. Employees' recognition techniques are good way to motivate employees.

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Author Profile

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