

Relationships of Non-Monetary Incentives, Job Satisfaction and Employee Job Performance

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Abstract

The objective of the paper is to present the theoretical and empirical evidences conceptually regarding the relationships between non-monetary incentives and job satisfaction in influencing job performance. The paper discusses direct linear relationship between non-monetary incentives and job satisfaction as independent variables and job performance as dependent variable. The study used theoretical and empirical studies to support the hypotheses that non-monetary incentives and job satisfaction influence job performance. The study proposes that non-monetary incentives and job satisfaction significantly and positively influence job performance particularly when a variety of non-monetary incentives are used among satisfied employees in an organization.

Key Words: *Non-Monetary Incentives, Job Satisfaction, Job Performance, Recognition, Relationships.*

Introduction

Among other reasons, the use of non-monetary incentive in organizations is to motivate employee towards job performance. Non-monetary reward is viewed as “a non-cash award given in recognition of a high level of accomplishments or performance such as customer care or support to colleagues, which is not dependent on achievement of a pre-determined target” (Rose, 1998). Non-monetary incentives are regarded as cost effective ways to compensate employees, thereby, attracting, motivating and retaining employees. They remain part of the wellness of job environment regardless of the economic situation. The importance of non-monetary incentives and job satisfaction in improving job performance among employees cannot be underestimated. In view of the relevance of non-monetary incentives and job satisfaction in enhancing employee job performance, the paper conceptually discusses the existing relationships between the variables and employee job performance.

Non-Monetary Incentives

It is suggested in the literature of human resource management and organizational behavior that non-monetary incentives act effectively in motivating employees. The essence of incentives is to establish linkage with desired behavior and the outcome that makes the employee feel appreciated (Whetten and Cameron, 2007). Non-monetary rewards play a significant role in the perception of the employee regarding the reward climate in the workplace (Khan et al., 2013). When organizations pay attention to non-monetary tools such as opportunity of increasing holiday and family benefits, the employee may perceive the organization as a supporting and caring organization. Rewards are important factors that explain certain job aspects that contribute significantly to the organization such as job satisfaction. Rewards, therefore, involve all economic benefits that are being supplied by the organization-pay, promotion, verbal recognition and

responsibilities (Deperi, Tortia and Capita, 2010). Recognition is the most common and powerful tool that is being used in the organization to drive employee engagement (Sun, 2013). Sun (2013) further identifies three conditions that are necessary for the effective use of recognition tool. First, recognition should be used frequently; recognition needs to be provided every one week to employees so that they can feel valued. Second, recognition should be specific, and identifying what is recognized makes it meaningful and critical. Third, rewards should be timely, that is, it should take place shortly after the employee action that deserves recognition occurs.

Deeproose (1994) argues that recognition has a significant impact on employees' motivation and productivity. Effective use of recognition results in improved performance of the organizations. Employees take recognition as part of their feelings of value and appreciation and as a result it increases employees' morale, which eventually increases efficiency of organizations. It is for that reason, Danish and Usman (2010) affirm that when rewards and recognition are properly implemented, a good working atmosphere is provided that motivates employees to achieve high performance. Deeproose (1994, p. 3) mentioned "Good managers recognize people by doing things that acknowledge their accomplishments and they reward people by giving them something tangible." Alam, Saeed, Sahabuddin and Akter (2013) investigated the impact of employee recognition as a factor that predicts their contribution. The result shows a correlation between monetary rewards and employee contribution. However, Murphy (2007) used an online survey to study the effects of monetary and non-monetary incentives on labor turnover. The results of the study revealed that no significant difference was found in labor turnover. Zaman (2011) examined the relationship between extrinsic rewards, intrinsic rewards and motivation among employees of three non-profit organizations in Pakistan. The study used 127 samples and the results show that extrinsic rewards correlate directly with employee motivation while intrinsic reward does not make any significant impact on employee motivation.

Job Satisfaction

Locke (1976, p. 1304) describes job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences". Job satisfaction entails how people feel about the job they engage in and its different aspects. Spector (1997) contends that job satisfaction explains the extent to which people like (satisfaction) or dislike (dissatisfaction) the job they do. When an employee has a high level of job satisfaction, propensity to look for another job and that of leaving an organization decreases. It is likely that the higher the job satisfaction that employee experience, the more positive the attitude towards the jobs and commitment to the organization (Sarwar and Abugre, 2013). Hulin and Judge (2003) maintain that job satisfaction includes multidimensional mental responses to one's job. These responses have components in the cognitive (evaluative), affective (or emotional), and behavioral dimensions. Thus, job satisfaction is one the most essential variables as it explains the general attitude of the employee to the job.

Job satisfaction from an assessment perspective is being considered an attitudinal variable. Attitude is defined as "summation of sense, beliefs and thought, which the individual form in direction with his perception about his environment" (Celik, 2011, p.9). In the traditional job satisfaction model, employee feelings about the job that one engages in was the major focus. However, satisfaction and dissatisfaction are not limited to the nature of the job that one does, but also depends on the perceptions, attitude and expectations towards the job (Lu et al., 2005). Moreover, organizations depend on people (employees), and the manner in which its employees behave depends on the way the managers direct the organizational affairs. Therefore, wise managers give priority to employee job satisfaction due to the relevance. The importance of employees cannot be underestimated as they remain planners, designers and implementers of organizational progress towards achieving its objectives (Senyucel, 2009).

Job satisfaction is perceived as being related to absenteeism, turnover and to some extent performance (Patterson, 2010). Job satisfaction could vary from satisfaction with a specific aspect of or facet of a job. Therefore, to get a thorough understanding of the employees' needs, attitude and motives, study on job satisfaction in organizations should focus on the various facets of job satisfaction. Patterson (2010) argues that what gives satisfaction differs from one employee to another. Some employees may receive a high

degree of satisfaction in their jobs than from the work itself. Some might receive the greatest level of satisfaction from their jobs from relationships with supervisors and coworkers while, pay package might retain some employees in their jobs though they considered the job less meaningful and receive meager satisfaction from the job facets.

Furthermore, the relationship between job satisfaction and employee engagement has been documented in the literature. Indeed, job satisfaction and engagement are essential ingredients for organizational sustainability. Report of the Society for Human Resource Management (SHRM, 2011) shows that 83 percent of US employees reported overall satisfaction with the job they engaged in. The findings further revealed that employees who are 67 years and older were more satisfied when compared to employees in the 31-61 age group. The outcome of employee job satisfaction paves way to obtain moderate engagement among the employees, indicating that job satisfaction and engagement correlates.

Job Performance

McClay, Campbell and Cudeck (1994) define job performance as “behaviors or actions that are relevant to the goals of the organization”. Similarly, Campbell (1990) sees performance as behavior demonstrated or something done by the employee for organizational performance and is assessed through operational performance outcome, turnover, sales volume, income and declared shareholders dividend, and the quality as well as quantity of service. Therefore, job performance is not a single unified concept, but a concept with many viewpoints containing more than one type of behavior. For example, service industries produce intangible goods and quality of services is largely predicted by the immediate performance of the service employees. Thus, it can be concluded that job performance is an output that is obtained due to the efforts of the employees.

Managers can influence cohorts and performance indirectly through creating an environment in which employees can work effectively; developing a suitable philosophy that helps employees shape their commitment to organizational goals, and articulating strategy (Avery, 2004). Moreover, Brown and Leigh (1996) affirm that organizational climate is anticipated to have progressive links with worker satisfaction, customer satisfaction, financial performance and staff turnover. Blanchard and Witts (2009) argue that when corporations fail to take the time to actively recognize and reward good performance, the desire for the job weakens with every unrecognized triumph. Performance feedback motivates the employees’ desire to do well. Agarwal (2008) asserts that when employees are involved in making decisions and participate in the execution of transformations that affect them, they implement transformations faster with higher performance compared to employees who are only informed of the transformation. Similarly, Across (2005) contends that employees do not perform well in conditions where autonomy is not guaranteed, particularly when employees have gained adequate skills for working independently.

Non-Monetary Incentives and Job Satisfaction

Incentives such as effort optimisation, employees autonomy and self-determination enhancement should be made readily available in order to increase job satisfaction of the employees in the organization (Eriksson and Villeval, 2008; Falk and Kosfeld, 2006). Maslow (1998, p. 237) declares that, “many people are influenced more by non-monetary than monetary considerations”. He argues that many people cannot be swayed to leave a job except by providing, “higher needs and meta-need satisfactions”. Non-monetary incentives are actually regarded as the most important tools to reward employees. It has been reported that about 70 percent of employers used noncash awards in their organizations (Airoldi, 2006).

Studies involving non-monetary incentives and job satisfaction show positive relationships. Hayati and Caniogo (2012) investigated the relationship between intrinsic motivation and job satisfaction and a positive relationship. This means that employees that are intrinsically motivated are more satisfied. Rast and Tourani (2012) studied the factors (job characteristics) that have a significant impact on job satisfaction

among three private airlines' employees. The findings show that supervision, relationships, pay, nature of the job and promotion opportunities relate moderately to job satisfaction. Tymon et al. (2010) found that intrinsic rewards and job satisfaction are positively correlated. Intrinsic and hygiene factors contribute greatly to satisfaction with organizations among employees. Tausif (2012) investigated the relationship between non-monetary rewards and job satisfaction among teachers in public schools in Pakistan. The study used 200 samples that were randomly selected. The findings show that non-financial rewards are the most powerful predictors of job satisfaction. Therefore,

Proposition 1: Non-monetary incentives positively influences job satisfaction

Non-Monetary Incentives and Job Performance

The effect of non-monetary incentives on employees' job performance has empirically been proven. Lewis (2013) posits that praise and recognition are effective ways of motivating employee behavior in the organization as they are considered the most important rewards. Aktar et al. (2012) contend that non-monetary incentives which are represented by recognition, learning opportunities, challenging work and career advancement, have been found to be an effective tool in motivating workers and consequently increase their performance. This incentive is highly appreciated probably due the opportunity it offers in terms of skill development of the workers which in the long run could be translated to higher monetary reward. Similarly, Erbas and Arat (2012) examined the impact of financial and non-financial incentives for food sectors in the central Anatolian region in Turkey and found that both financial and non-financial rewards are important elements of job performance. Nonetheless, monetary rewards are considered more important in terms of motivating workers to increase their performance compared to non-monetary rewards. Agwu (2013) assessed the impact of the fair reward system on employees' job performance among employees of an oil company in Nigeria and conclude that fair implementation of rewards significantly influenced employee job performance. Hence,

Proposition 2: Non-monetary incentives positively influence job performance

Job Satisfaction and Job Performance

Job satisfaction is the product of perception and evaluation of individual jobs, which is influenced by their own unique needs, values and expectations, which employees consider as being important to them (Sempane et al. 2002). The role of job satisfaction in influencing employees' attitudes towards their jobs cannot be underscored. Spector (1997) emphasizes that job satisfaction affects employees' attitude and various aspects of their jobs. The outcome of job satisfaction in the organization comprises of better job performance, withdrawal decline and minimising behavior that negates productivity (Morrison, 2008). Robbins (2003, p. 206) mentioned that "the way that tasks are combined to create individual jobs has a direct influence on employee performance and satisfaction". The relationship between job satisfaction and emotion is clearly identified.

Job satisfaction results in higher productivity, organizational responsibility and physical and mental health. Hence, a worker tends to have a better mood as well as learn additional skills, thereby promoting job performance (Coomber and Barriball 2007). Job satisfaction among employees serves as a measuring yardstick of organizational effectiveness, as it is being influenced by organizational and personal factors (Rothmann and Coetzer, 2002). It is widely believed that optimal functioning of their organization depends largely on the level of employees' job satisfaction. Empirically, it has been found that job satisfaction relates to job performance.

Additionally, Carette, Anseal and Lievens (2013) investigated the effects of challenging job assignment on job performance. The study involved early and mid career employees in a local branch of an international furniture retailer. The findings show that there is positive relationship between challenging assignment and job performance among early career employees. Similarly, Hayati and Caniago (2012) studied the

relationship between job satisfaction and job performance and it was discovered that employees that are satisfied with their jobs perform better in the organization. Accordingly,
 Proposition3: Job satisfaction positively influences job performance

The conceptual framework shown in Figure 1 presents non-monetary incentives and job satisfaction as independent variables and job performance as the dependent variable. The framework in the conceptual paper portrays a linear relationship between the predictor variables (non-monetary incentives and job satisfaction) and the criterion variable (job performance). It is hypothesized that non-monetary and job satisfaction positively and significantly influence job performance. Similarly, it is also hypothesized that non-monetary incentives and job satisfaction in predicting employee job performance.

Conceptual Framework

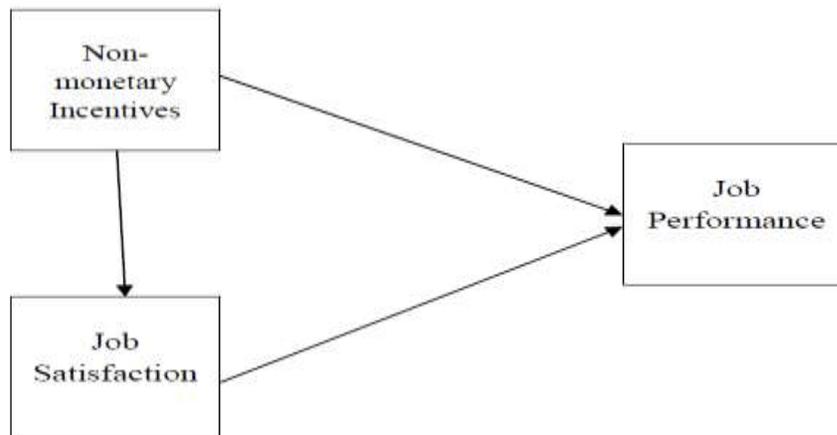


Figure 1

Conclusion

The paper discusses conceptually the relationship between the independent variables and the dependent variables. Several studies have examined the relationship empirically and as shown in the literature in the paper, non-monetary incentives and job satisfaction positively influence employee job performance directly. However, it was hypothesized that non-monetary incentives relate positively to job satisfaction as well. The paper recommended three propositions to be tested. Testing these relationships would help supplement means of improving employee job performance in practical terms.

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