



ATTITUDE OF EMPLOYEES TOWARDS MONETARY AND NON-MONETARY REWARDS AND ITS IMPACT ON MOTIVATION AND TURNOVER

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Abstract- Rewards are used as a tool for encouragement and inspiration by different organizations in order to increase their employees' performance. This tool serves as a strong element for any organization which increases its strength and hence results in a proficiency in business market. In our study, we have developed a relationship between the company offered rewards and the performance of its employees with a deep insight about how the reward types are linked with the employees' performance. Their motivation level has been focused here along with their turnover in the organization. The study showed that employees who have served for a longer period in a company develop a more specialized skill set which can be highly valuable for the company. Similarly, enthused employees are more likely to stay with the organization and thus provide favorable results. The main focus of the study was on the banking sector. The reward types and the performance enhancement were witnessed eventually. The focal point was to identify the effective mixes in banking sectors. A sample of size 200 was used in two banking organizations, which provided the required results in order to test the specified hypotheses.

Key Words: Reward, Turnover, Performance

1. INTRODUCTION

Rewards and benefits are tools which are used to motivate employees and offer them something extra in the compensation apart from the base salary provided to them. The purpose of the rewards is generally to provide the employees with the incentivized form of work enhancements and to create an internal drive that would compel them to work at a higher rate and to work on a much higher productivity level as compared to their past performance. The effects of two major rewards' types: monetary and non-monetary rewards, can vary as per the need of the employees (Carter & McMahon, 2005). The monetary benefits are the bonuses, incentives, extra compensation, and interim-based rewards of monetary nature. Similarly, non-monetary rewards include, flexi-hours, recognition in the organization and appreciation across department while also giving the employee a chance to earn trips and extra holidays etc. Hence the non-monetary rewards are generally provided to motivate the employee by providing him/her a taste of an easy lifestyle (WorldatWork, 2007). These rewards are targeted towards two distinct areas, which are motivation among the employee groups and providing other departmental workers to enhance their performance in their specific role (Chaudhry, Sabir, Rafi, & Kalyar, 2011). These metrics can change based on the changes in the sector where this workforce is performing. It can either be the public sector or the private sector where the rewards and benefits can offer different results (DeSimone & Werner, 2011). The attitude of employees eventually translates into the varying motivation levels and also their retention in the organization belonging to a specific sector (Guma, 2011). Some employees work towards profit generation while the other sector is focused on support of the masses that have accounts in the relative branches (Scheuring-Leipold, 2008).

The problem under study is concerned with the business sector of economy where the reward systems affect the business patterns. The problem statement serves multiple purposes here; one is to show the effect of certain variables on other variables which help in establishing the relationship among variables, secondly, the investigative tone that it provides serves as the primary motive of the research and a short narrative of the rationale which is required for the research. The research problem statement is:

“What is the employee's attitude towards monetary and non-monetary rewards and its effects on employee Turnover and Motivation?”

The objectives of the research are to:

- Identify the reward types being used by the organizations.
- Measure and identify the attitude of employees towards the reward types used by the organizations
- Measure the effect of the reward types on the intrinsic conditions (motivation) of the employees.
- Identify the effect of the rewards types on the employee retention rate of the organization types included in this research
- Identify how banks use the reward types to cater the need of the employees.

The research is organized as follows. In Section 2, the methodology used is summarized. In Section 3, the numerical results are provided and Section 4 concludes the paper and provides suggestions for future work.

2. METHODOLOGY

A quantitative approach has been used to utilize the information efficiently to the extreme latent and to deliver a deep analysis to the future researchers related to the current market situation. The research is conducted on over four month's duration.

2.1 Hypotheses

Research hypotheses are meant to cater the needs of the topic of the study through providing speculative narrations and to present a situation which is to be tested in the form of utilizing the evidence gathered through the research tools.

The hypotheses formulated here are:

H₁: Monetary rewards positively affect the employee retention in an organization.

H₂: Non-monetary rewards positively affect the employee retention in an organization.

H₃: Non-monetary rewards positively affect the motivation level of the employees.

H₄: Monetary rewards positively affect the motivation level of the employees.

The above mentioned statements are to be tested by studying the variables and the potential relationship among the variables which are present in the problem statement through various methods.

2.2 Study Area

The population under study was the employee workforce of the private sector, i.e. banking industry. A sample of size 200 was selected from two banking organizations; Muslim Commercial Bank (MCB) and United Bank Limited (UBL) located at Islamabad, using Simple Random Sampling technique. The selected employees filled the questionnaire and their responses were recorded on the determined scale and further used in the statistical analysis.

Multiple tools are used while collecting the data for the study since the purpose of the research is to create a quantitative as well as the qualitative analysis. The instruments are validated through pilot testing over a number of employees to see whether the results are unified and reliable or not.

2.3 Data Collection

Questionnaire comprising 24 questions in total was used to obtain the responses according to the variables in the study. The scale used is a 5-point Likert scale (Dawes, 2008) which is the primary metric used to map the responses varying from various degrees of agreeing and disagreeing with a statement as presented in the questions (Foard, Weinstein, & Henn, 2009). These questionnaires also include the assortment of the variables with relevant questions that try to portray the relative results which are used eventually with the data analysis. The quantitative data analysis was done through SPSS (Statistical package for social sciences) where regression modeling and correlation among the variables is compiled after computing the variables from the raw data set. Other analyses carried out were for the reliability and validity in order to determine alpha of the questionnaire and make sure that the questions yield reliable responses that could be validated through the phenomenon under study. Unstable data is low on reliability and this is through the variations in the responses of the samples (Saunders, Lewis, & Thornhill, 2002).

3. RESULTS AND DISCUSSION

The results of the research and the hypotheses are formulated as above where it was proved that the monetary rewards have a positive relationship with the retention of the employee in the organization and also enhances the motivation of the employees. Non-monetary rewards are also important for the retention of the employees and also the motivation among them. However, the discussion showed that the presence of both reward systems yield these results and as per the responses of the samples in their interviews, absence of one reward system will render the implemented reward program to be ineffective. For instance, if the monetary rewards are all that the employees are offered, the absence of non-monetary rewards will render the system to be ineffective and will cause the employee performance to drop.

Table 3.1 Correlation Analysis

	Monetary Rewards	Non-Monetary Rewards	Employee Retention	Employee Motivation
Monetary Rewards Pearson Correlation	1	.655**	.728**	.624
Sig. (2-tailed)		.000	.000	.000
N	200	200	200	200

Non-Monetary Rewards	Pearson Correlation	.655**	1	.645**	.608
	Sig. (2-tailed)	.000		.000	.000
	N	200	200	200	200
Employee Retention	Pearson Correlation	.728**	.645**	1	.628
	Sig. (2-tailed)	.000	.000		.000
	N	200	200	200	200
Employee Motivation	Pearson Correlation	.624	.608	.628	1
	Sig. (2-tailed)	.000	.000	.000	
	N	200	200	200	200

** . Correlation is significant at the 0.01 level (2-tailed).

3.1 Research Findings

The data collection tool targeted the samples with a total of 24 questions through providing 6 questions for each variable. The responses of the variable based questions are presented as under:

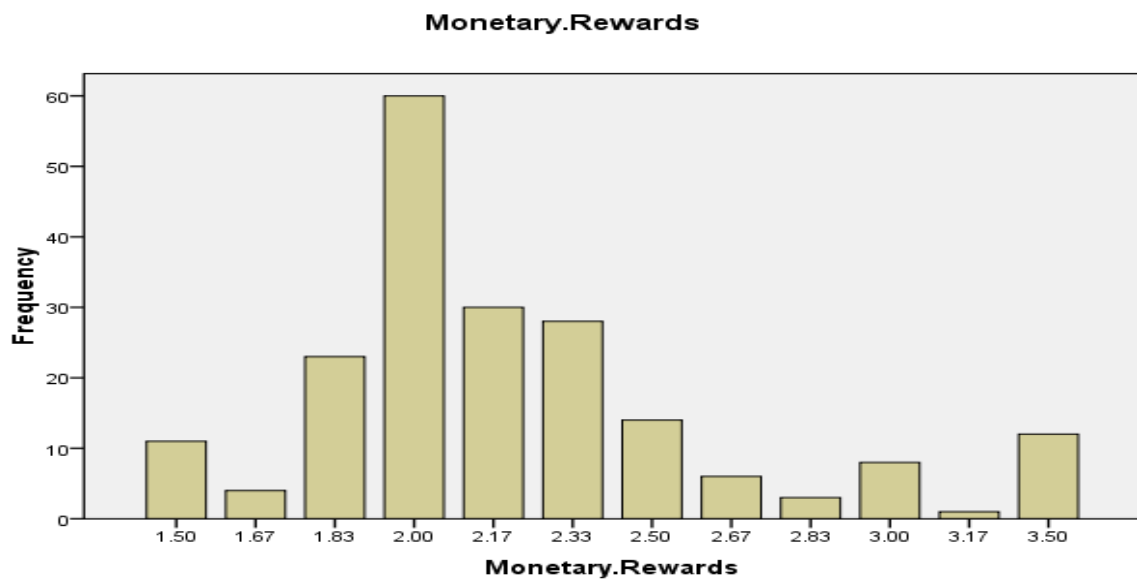


Fig. 3.1 Monetary Rewards

For the questions asked from the samples in reference to the delivery of the monetary benefits, majority of the replies were of positive nature which means that the employee's attitude towards the monetary rewards is positive. For the non-monetary rewards, the following graph shows:

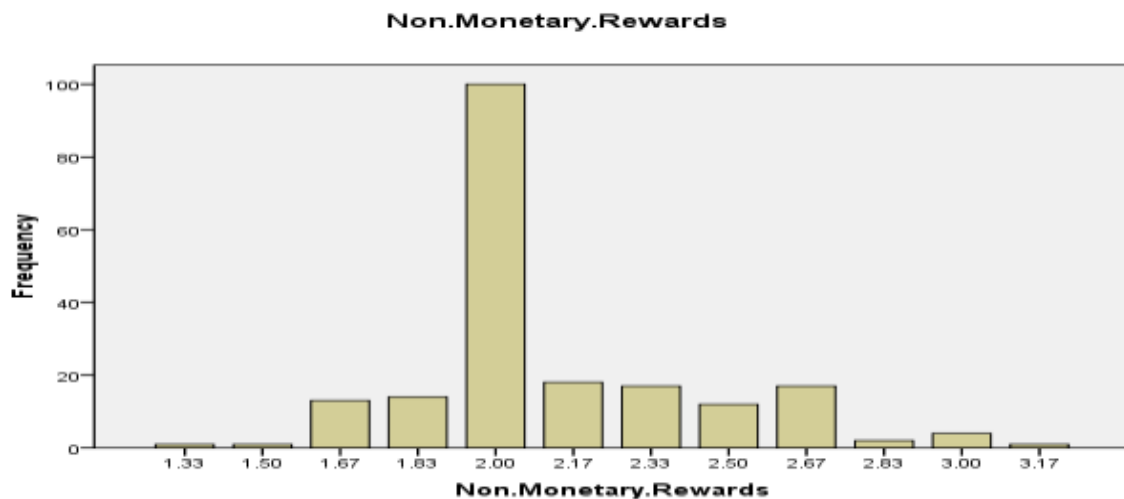


Fig. 3.2 Non-Monetary Rewards

It displays the concentration of the responses is below the neutral value which is 3 and it means that the majority agrees that the non-monetary rewards are beneficial as well. The employees feel strongly about the rewards being offered to them. The next step is to see how they assume these rewards contribute towards their retention or if they feel that they are comfortable working in the capacity that they are operating in.

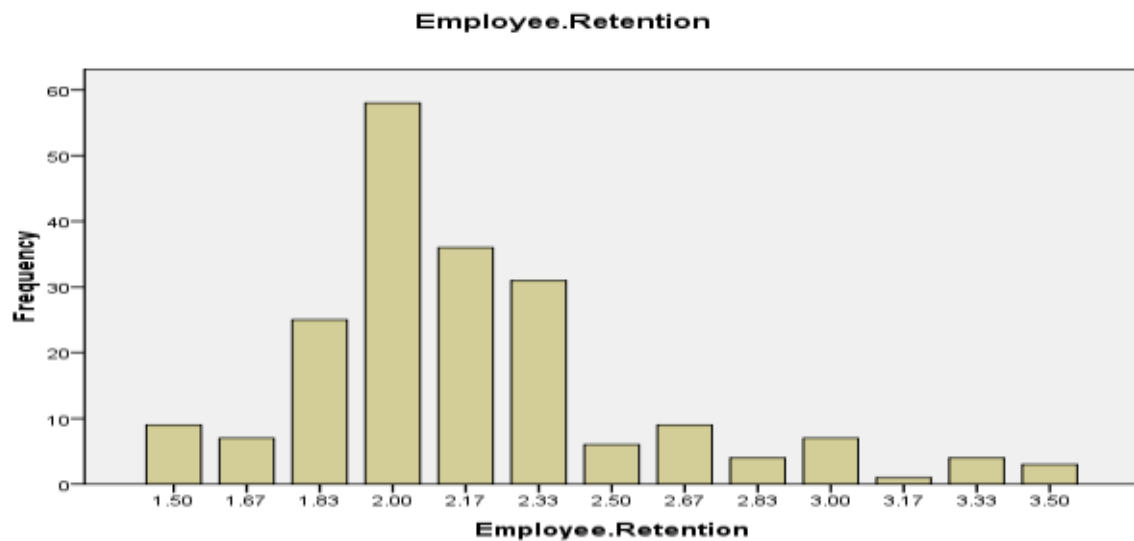


Fig. 3.3 Employee Retention

The retention of the employees is supported by the rewards as perceived by the employee workforce. The response spread is across the scale but it spikes up in the positive area which shows that the retention level is high based on the rewards structures. As per the effect on motivation.

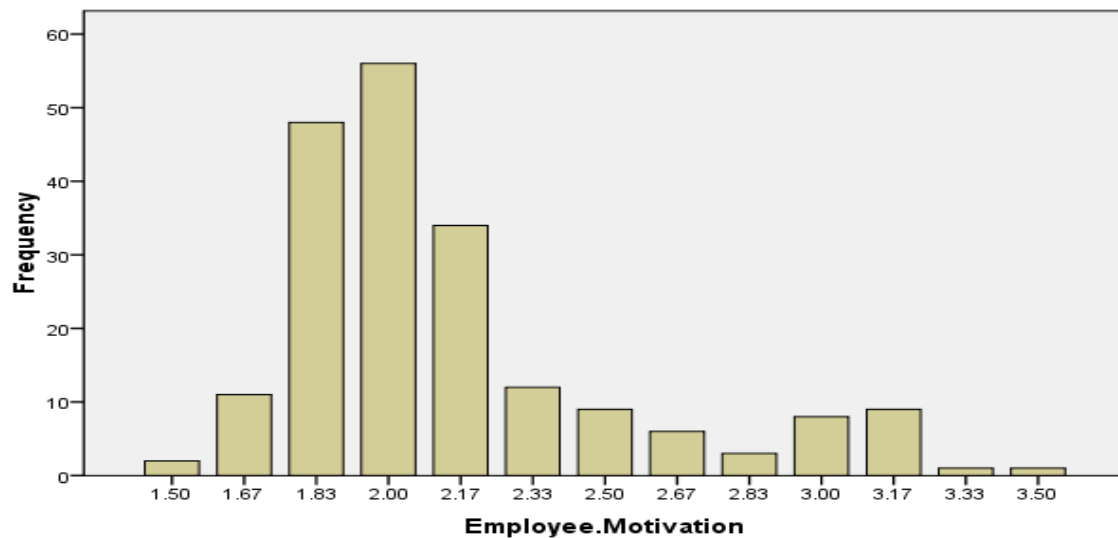


Fig. 3.4 Employee Motivation

From the graph above, it is obvious that the motivation is supported by the reward structure. These are the simplest depictions of the results gathered.

3.2 Scale Reliability

The reliability of the scale is calculated through the Cronbach's Alpha using the data distribution and the coherence of the data as a tool.

Table 3.2 Scale Reliability Analysis

Scale Reliability	
Cronbach's Alpha	N of Variables
.761	4

The alpha for this research is 0.761 which is above 0.5 so it shows that the data set is not perfectly coherent but is able to show the facts in the organizational scenario being investigated.

3.3 Descriptive Analysis

The descriptive analysis is used to show that the administration of the questionnaire is done through utilizing the proper means of questionnaire administration and it is ensured that the questionnaire were answered without any missing values. The table shows that the sample size was around 200 which are used to analyze the scenario from various branches of the banks included. The mean values and the standard deviation show that the data set was gathered with a low level of standard deviation which means that the coherence of the data set is supported through the standard deviation and the descriptive analysis as well.

Table 3.3 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Monetary Rewards	200	1.50	3.50	2.2217	.46247
Non-Monetary Rewards	200	1.33	3.17	2.1250	.30978
Employee Retention	200	1.50	3.50	2.1783	.40292
Employee Motivation	200	1.50	3.50	2.1467	.40293
Valid N (list wise)	200				

The second part of the analysis is the Skewness and the Kurtosis of the data which shows the data distribution of the data set. The data Skewness level is low but is positively skewed showing positive set of responses. The mode of the data is valued at 1.362 towards the positive side showing that the data set which means that the values of the data is not a zero and signifies the actual responses of the samples in a much efficient manner.

Table 3.4 Measures of Skewness and Kurtosis

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Monetary Rewards	1.253	.172	1.546	.342
Non-Monetary Rewards	.935	.172	.892	.342
Employee Retention	1.189	.172	1.778	.342
Employee Motivation	1.362	.172	1.277	.342

The Kurtosis analysis shows that the data is leptokurtic which means that the data peak is not very high but is curved showing uni-modality and signifies a normal probability distribution.

3.4 Correlation and Regression Analysis

This test is carried out to measure the correlation between the reward types and the employee performance indicators. The correlation of the data set is significant and positive as shown by the table below where the correlation is averaging at 0.65 that shows that the correlation is present between the variables and is favorable to the results showing that the variables have a positive relationship and a linear causality among them.

Table 3.5 Correlation and Regression

		Monetary Rewards	Non-Monetary Rewards	Employee Retention	Employee Motivation
Monetary Rewards	Pearson Correlation	1	.655**	.728**	.624
	Sig. (2-tailed)		.000	.000	.000
	N	200	200	200	200
Non-Monetary Rewards	Pearson Correlation	.655**	1	.645**	.608
	Sig. (2-tailed)	.000		.000	.000
	N	200	200	200	200
Employee Retention	Pearson Correlation	.728**	.645**	1	.628
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Employee Motivation	Pearson Correlation	.624	.608	.628	1
	Sig. (2-tailed)	.000	.000	.000	
	N	200	200	200	200

** . Correlation is significant at the 0.01 level (2-tailed).

The model fitness as depicted by regression tests show that the R square value is around 0.739 signifying that around 74% of the percentage change in the data variance is caused by the independent variables and dependent variables chosen.

Table 3.6 Coefficient of Determination (a)

Model	Model Summary ^b			
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.734 ^a	.739	.734	.174

a. Predictors: (Constant), Non-Monetary Rewards, Monetary Rewards
b. Dependent Variable: Employee Performance

Table 3.7 Coefficient of Determination (b)

Model	Change Statistics					Durbin-Watson
	R Square Change	F Change	df1	df2	Sig. F Change	
1	.739	115.222	2	197	.001	2.037

b. Dependent Variable: Employee Performance

The ANOVA test is the Two-Way analysis for the variance which is presented in the statistical data. The variance of the data for regression and the residual values is almost similar which means that the normal distribution of the data has achieved. And a linear causal relationship is present between the variables. The F interval values are positive accepting our alternate hypotheses and rejecting Null Hypotheses.

Table 3.8 Analysis of Variance

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.417	2	8.708	115.222	.001 ^a
	Residual	14.889	197	.076		
	Total	32.306	199			

a. Predictors: (Constant), Non-Monetary Rewards, Monetary Rewards
b. Dependent Variable: Employee Performance

The results were the focus of this section of the research where the analyses are presented in the tabular and graphical form to show the level of the causality found between the variables. The chapter shows the perception of the employees towards the organizations tools for promoting motivational aspects of the employees and also to target their retention in the organization. The chapter included the regression model fitness which is applied on the current research study to witness the level of the variance caused by the variables taken into consideration. Thus the final outcome of the variables is to be judged on the employee performance attribute.

CONCLUSION AND RECOMMENDATIONS

Motivation and employee turnover are two important aspects in human resource functions of an organization and it is necessary that the organizations account for the increasing turnover and decreasing motivational level in the employees. This part of the research provides the preliminary part of the investigation so that the idea behind the research and the rationale for the research can point out the gap which exists currently in the body of knowledge. The purpose of the introductory chapter is to create a strong basis on which the research is carried out. The effect on the motivation and turnover ratio of the employees can be judged easily from the reward types which are present in the organization directed towards the employees. The HR function in every organization is keen on providing the best resource to its functions and this is done through carefully designed recruitment and selection procedures. The attraction of such talent pool is possible if the HR function is aware of the market needs and the benefits which are expected by the human resource. These benefits or rewards are important in both attraction and retention of the skilled human resource and as mentioned earlier result directly on the motivational level of the employees as well as the turnover witnessed. The effect of the rewards are multi-faceted on terms of the internal drive of the employees commonly termed as motivation and also as the external outcome on a departmental or organizational level which is termed as the turnover rate where the employee has a choice of leaving for a better opportunity.

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