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RELATIONSHIP BETWEEN ORGANIZATIONAL REWARD SYSTEM AND EMPLOYEE WORKING EFFICIENCY

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ABSTRACT

The purpose of this paper is to identify the relationship between rewards and employee working efficiency among operational level supervisors and non-managerial level workers in Sri Lankan garment sector. The sample consists of 100 employees including operational level supervisors and non-managerial level workers in Sri Lankan leading garment company. Therefore, the researchers used questionnaires to collect primary data to identify present condition of the company reward system and employee working efficiency. Therefore, those questions were related to financial and non-financial rewards and employee working efficiency. Co-efficient of correlation was used to identify degree of linear relationship between rewards and employee working efficiency. This study found that there is a significant positive relationship between rewards and employee working efficiency. Many organizations believe that rewards influence to employee working efficiency. Therefore, apparel industries also have given their attention to reward system to increase employee efficiency through employee satisfaction. Further, non-financial rewards have given more contribution to determine employee working efficiency than financial rewards.

Keywords- Financial Rewards, Non-Financial Rewards, Employee Working Efficiency

Paper Type- Research Paper

1. INTRODUCTION

Employee working efficiency is very important to any business organization because it is influenced to employee performance significantly. Two kinds of rewards such as financial rewards and non financial rewards are paid for employees. Those reward types are given a direct

contribution to employee motivation. There is a relationship between financial incentives and employee performance. When increasing payments, quantity of work is automatically increase, but not its quality (Mason & Watts, New York). There are so many kinds of non financial rewards such as praise, desirable job

assignments, greater autonomy and lower likelihoods of lay off (Bishop, 1989). Shepherd & DeTienne et al, (2005) found that potential financial reward provides motivation for individuals with little prior knowledge of customer problems to identify opportunities. Employees who received non-monetary rewards reported working longer hours. Non monetary rewards are less likely to avoid intrinsic motivation in comparison to monetary rewards (Markova & Ford, 2011). According to Pollitt, (2012) reward includes bonuses, cash allowances, sales bonus scheme, wage/ salary, pension, group income protection, life insurance, private medical insurance, learning and development, family friendly policies, sickness pay, holidays, discounts and recognizing awards etc.

Employee's participation in the decision making process is made them more courageous and enthusiastic towards working in the organization. On the other side the periodically salary increments, allowances, bonuses, fringe benefits and other compensations on regular and specific periods keeps their morale high and makes them more motivated (Danish & Usman, 2010). There are positive relationship between performance

contingent rewards and intrinsic motivation (Eisenberger et al, 1999).

As a result of modern competitiveness, employees have been converted to most valuable factor. Therefore, top-level management always tries to implement a sound reward management system for their employees. According to that, they apply pay management system with contingent pay, pensions, other employee benefits, compensations and intangible benefits. Through that, any organization can obtain many advantages with most satisfy work force. On the other hand employee can fulfill their personal needs as well as career needs. Therefore, it often influences to increase employee working efficiency. "An efficient and effective reward program will greatly enhance employee motivation and that a highly motivated workforce will lead to greater productivity" (Okojie, 2009).

In addition, organizations consider about individual and team based rewards. Thus, more companies rely that they can reach to high efficiency. Any organization should implement pay systems with individual incentives; gain sharing, profit sharing and team - based rewards to organizational success (Danish & Usman, 2010). Rack et al, (2010) examined effects of different monetary team-based reward strategies on performance, pay satisfaction, and communication behavior in virtual teams. They further said that, when the rewards were distributed according to equity

principles, team members with high assertiveness motive perform better. But Individuals with low assertiveness showed higher individual performance under equality conditions than under equity conditions.

Human resource is considered the most important resource of an organization (Negussie, 2012). They believe that employee motivation is very important to increase employee working efficiency. Rewards are given a significant contribution for employee motivation. “Potential financial reward provides motivation for individuals with little prior knowledge of customer problems to identify opportunities” (Shepherd & DeTienne, 2005). High reward condition reported greater satisfaction with their task than did those in the low reward condition. And significant effects were obtained for current task reward value (Farrell & Rusbult, 1981).

1.2 Research Problem and Research Questions

“Whether there is a significant relationship between rewards and employee working efficiency in an organization?”

Further relationship between financial and non-financial rewards with employee working efficiency is examined in this study.

1.) Is there significant relationship between financial rewards and employee working efficiency?

2.) Is there significant relationship between non-financial rewards and employee working efficiency?

1.3 Objectives Of The Research

The main objective of this study is,

“To identify, the relationship between rewards and employee working efficiency.”

Following sub objectives have included in this research,

- To identify the relationship between financial rewards and employee working efficiency.
- To identify the relationship between non-financial rewards and employee working efficiency.

2. LITERATURE REVIEW

Burke & Morton, (1990) studied that employee benefits such as health care benefits, retirement & capital accumulation plans, disability benefits, life insurance, paid time off and other benefits. In here they mentioned although a majority of US workers receive paid leave, insurance and retirement benefits from their employers, the incidence and characteristics of these benefits vary significantly by industry group and

size of establishment. They found that, employees in good producing industries and larger establishments are more likely to have medical coverage than are their counterparts in service producing industries and smaller establishments.

People have more control over their behavior when offered rewards. The limited number of available applied studies commonly found incremental or null relationships between rewards and intrinsic interest. There are positive relationship between performance – contingent rewards and intrinsic interest. Reward procedures require to specific high task performance (Eisenberger et al, 1999). Will & Emery is a pioneer in the field of employee benefits. They concerned about benefit plan compliance, employee benefits controversy and litigation, employee stock ownership plans, executive compensation, fringe benefits, health & welfare benefits, international benefits, plan fiduciary & investment management, qualified retirement plan etc. Workers 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 (Ajila & Abiola, 2004).

Okojie, (2009) found reward means that employees were not necessarily expecting money and that the management could very easily meet the expectations of the employees. Most of the employees were confused about how the reward system in place was managed. Job of the employee, transfer of department, demotion, pay cut, or termination of appointment etc., are not effect to improvement in an employee's performance. Here employee efficiency can be decrease because transfers, demotion, pay cut or termination of appointment. Traditionally, most reward and recognition systems within the organizational structure were vague and not usually understood by the employees because there were no set standards and even when there were standards, they were often set at the discretion of the management. He focused on ranking twenty factors that influence employee motivation and examining the reward policy of the organization.

Job satisfaction was best predicted by job reward and cost value. Job commitment was predicted by a combination of reward and cost values, alternative value and investment size. There are significant effects on the appropriate manipulation check measures for reward value. High reward condition

reported greater satisfaction with their task than did those in the low reward condition. And significant effects were obtained for current task reward value (Farrell & Rusbult, 1981). Often employers will agree to pay their employees more than the minimum the employees would accept for performing the job in question. One reason for this behavior is that such fair treatment by employers may encourage better job performance by employees. The benefit of pushing up wages outweighs the cost of the reduced employment that is likely to come along with higher wages for those who remain employed (Danish & Usman, 2010). Team based rewards may enhance the attractiveness of attaining group goals and build goal commitment among team members in team settings (Danish & Usman, 2010). DeMatteo et al, (1998) have identified some of the key variables in the effectiveness of team based reward system. The issue may not be whether to use team or individual rewards, but how to design team rewards in way to maximize the desired outcomes. Rack et al, (2010) had purposed to compare effects of different monetary team-based reward strategies on performance, pay satisfaction and communication behavior in computer-mediated groups. This study shows that team-based rewards have positive effects not only on performance but

also on communication behavior in computer-mediated groups. In addition, they found that team-based rewards had positive effects on team members' motivation and pay satisfaction.

There was a strong, positive relation between extrinsic rewards and creativity. Those with an innovative style in complex jobs were generally unaffected by extrinsic rewards, while those in the adaptive style/complex job or innovative style/simple job conditions exhibited lower creativity as extrinsic rewards increased. There was a negative relation between extrinsic rewards and creativity for employees with an adaptive style who worked on challenging, complex jobs. Innovators in complex jobs are most creative across all levels of extrinsic rewards and that adaptors in simple jobs, while benefiting from increasing amounts of extrinsic rewards, are not as creative as those occupying complex jobs and possessing innovative cognitive styles (Bear et al, 2003). As well as DeMatteo et al, (1998) examined the role of extrinsic rewards such as expected organizational rewards and mutual benefits. Not only extrinsic rewards but also intrinsic rewards had been examined through that study such as knowledge self-efficiency and enjoyment in helping others. However,

they found that expected organizational rewards did not significantly influence employee attitudes and behavior intentions regarding knowledge sharing. Zobel, (1999) found that employees were more receptive to team-based rewards when they had a high preference for teams, were collectivist, rather than individualistic, had a high commitment toward teams, perceived the need for team-related changes, perceived distributive, procedural, and interactional justice, and had high task interdependence.

A new reward and benefits scheme has helped a UK distributor of electronics and maintenance products to improve employee engagement and retention and attract new talent DeMatteo et al, (1998). That study interpret about rewards were included with bonus, cash allowances, wages/ salary, pensions, income protections, life and medical insurances, learning and development, recognition awards etc.

There was a relationship between financial incentives and employee performance. When increasing payments, quantity of work is automatically increase ,but not its quality Zobel, (1999). In addition, Alexy & Leitner said that, total motivation was impact positively by payment. Shepherd & DeTienne, (2005) said that while prior knowledge of customer problems leads to the

identification of more opportunities and opportunities that are more innovative, it also moderates the relationship between potential financial reward and opportunity identification. They have shown that the higher the potential financial reward the greater the number of opportunities identified, although these opportunities are not necessarily more innovative and most important to the study of opportunities, they found that potential financial reward provides motivation for individuals with little previous knowledge of customer problems to identify opportunities. Therefore they have identified that potential financial reward is significantly correlated to the number of opportunities identified. And also they shown that both prior knowledge of customer problems and potential financial rewards are positively related to the number of opportunities identified. As well as, no significant relationship was found between potential financial reward and the innovativeness of opportunities identified.

In the company providing outdoor advertising, the interviewees performed heavy, physical jobs. Each stakeholder (i.e. the worker, the employer, the OHS and the government) should contribute to the maintenance of a healthy and motivated ageing workforce. The promotion of a healthy lifestyle, including physical activity and diet, were mentioned frequently as being an important factor for

increasing the capacity and motivation to prolong a healthy working life (Proper et al. 2009). Danish & Usman, (2010) said that there are close relationship between several dimensions of work motivation and satisfaction, but recognition along with work itself and operating procedures. In addition, employee's participation in the decision-making process should make them more courageous and enthusiastic towards working in the organization. They found that impact of reward and recognition on job satisfaction and motivation while working within an organization. Kaplan, (1992) said that employee expect good working conditions, fair pay, fair treatment, secure career, power and involvement in decision making. DeMattee et al. (1998) investigated that the impact of such interventions on both health-related and work related outcomes, but failed to evaluate the internal validity of the studies. In addition, they found that evaluated the effectiveness of worksite physical activity programs on work related outcomes. They believe that physical activity programs at worksites may offer relevant benefits for business and corporations regarding absenteeism from work. As well as they conclude that inconclusive evidence exists for the effect of physical activity programs at worksites on job satisfaction and job stress. As the effectiveness of physical activity programs at worksites strongly depends upon compliance, future studies

should pay attention to the description of the participation rate.

Dellarocas has shown how the combination of a simple feedback mechanism with the ability of a marketplace operator to levy listing fees from sellers can restore full average social efficiency in environments with both moral hazard and adverse selection. In addition, they have identified incentives are most important for cooperative behavior and some distortions to individual seller payoffs, essentially transferring part of the payoffs are more efficient sellers to less efficient sellers. However, such distortions are undesirable because they may cause the most efficient sellers to migrate to other markets with better information structures. Zobal, (1999) found that one, who is interested in developing and enhancing intrinsic motivation in children, employees, students, etc., should not concentrate on external control systems such as monetary rewards, which are linked directly to performance. In addition, large payments can lead to increased performance due to feelings of inequity. However, these payments will be making the people dependent on the money, thereby decreasing their intrinsic motivation. He identified that whether there will be changes in a person's intrinsic motivation for an activity when he receives external rewards for performing that activity. he focuses on a person's cognitive evaluation

of an activity and the reasons for his engaging in the activity. Negussie, (2012) said that there is direct and positive relationship between rewards and nurses' work motivation. When organizations are not offering right amount of rewards and this has created low-level work motivation for. The effectiveness of health quality and customer satisfaction is dependent on the motivation of its employees. According to Gagne & Deci, (2005) autonomy, challenges and other all benefits cause to job performance, psychological well-being, job satisfaction and work climate. Work out comes may be depend on rewards. Mason & watts found that a number of results do seem sensitive to the specific nature of the task (e.g. the dependency of quantity on pay rate). Both financial and non-financial rewards are effect to define an amount of outcomes. However, the simple dichotomy between intrinsic and extrinsic motivation made the theory difficult to apply to work settings. Job commitment is additionally influenced by the quality of job alternatives and the magnitude of the employee's direct and indirect investment in his/her job.

Job commitment was more closely related to turnover than was job satisfaction. Job satisfaction was best predicted by job reward and cost values (Farrell & Rusbult, 1981). Awareness of reward program is important to the organization because reward policy helps to motivate staff to work hard. This will ultimately result in

higher productivity. It reveals that if many staffs are not aware of the reward program in work place, may not understand clearly how the program operates (Okojie, 2009). He further said that an efficient and effective reward program will greatly enhance employee motivation and a highly motivated workforce will lead to greater productivity and finally, ensure that the organization meets its stated goals. Camerer & Hogarth, (1999) said that incentives sometimes improve performance, but often do not. Incentives improve performance in easy tasks that are effort-responsive, like judgment, prediction, problem-solving, recalling items from memory, or clerical tasks. Incentives sometimes hurt when problems are too difficult or when simple intuition or habit provides an optimal answer and thinking harder makes things worse. For boring jobs, unmotivated workers, or tasks in which variance is bad, incentives are likely to have positive effects.

3. METHODOLOGY

The study design is a plan to obtain answers for research problem or questions. Therefore, the researchers use questionnaires to collect primary data. Thus, researchers identify the present condition of the company reward system and employee working efficiency. The researchers considered about employees' present performance and reward system

through the questionnaire. The questions were answered using a five point Likert type scale (5 – strongly agree, 1- strongly disagree). Therefore, those questions are related to financial and non-financial rewards and employee working efficiency. There are thirty-three questions in the questionnaire. Independent variable of this study is a reward system. Dependent variable is an employee working efficiency

One of the leading garment factory situated at Rathmalana in the Western Province in Sri Lanka is used for the study. There are three Modules (plants) in the Rathmalana factory as Module 1, Module 2 & Module 3. The researchers selected Module 1 & Module 2 for the study.

Convenience sampling method was used for the study. Randomly, selected 100 employees including machine operators, iron operators, helpers, quality checkers, mechanics and supervisors were used for the study. Data were analyzed by using SPSS software.

Based on the past research findings and literature review, following hypothesis formulated for the study.

H1: There is a positive significant relationship between rewards and employee working efficiency.

4. DATA ANALYZIZ

4.1 Interpretation of Demographic Variables

According to the study findings, female respondents were represented 72 percent as well as male percentage is 28. This population is a part of the garment sector. Therefore, female percentage is more than male percentage in this sector. When consider about Civil Status Unmarried respondents are more than married respondents. According to age category, between 18-30 respondents' percentage is 69%. It is maximum respondents' level of age category. When consider about service section, maximum respondents represented in sewing section. Its percentage is 49%. Finishing section, QC section and other sections percentages are 12%, 24%, and 15% respectively. Moreover, between 10000-15000 salary level represented 49% in the study. In the garment sector there are more employees who receiving less salary. According to education level, maximum respondents were represented in G.C.E. O/L education level as 51%. When considering about service period of employees maximum respondents consisted in “between 1 year-3 years” as 26%. Minimum respondents included in less than 3

months experience category. As a percentage, it is 8%.

4.2 Validity and Reliability Analysis of the Study

The conceptual framework, which was used for the study has been used for several past studies in different industries. Because of that the validity of the study is fair in the study. According to the study findings, the Cronbach's Alpha value is 0.916 for reward factors. To success, this study it must be greater than 0.7 alpha value. Therefore, this study has a good reliability for its independent variables. In addition, there is a 0.932 alpha value for employee working efficiency factors. Hence, this study has represented good reliability for the dependent variables. Therefore, the alpha value of whole variables (N=23) is 0.949. Thus, this study has a good reliability for its whole variables.

4.3 Hypotheses Testing

Table 4.1 shows strong positive relationship between rewards and working efficiency as 0.729. Therefore, H1 is accepted . In addition, it is a significant positive relationship because significant value has been represented as .000 value.

According to the findings of this study, there is a 0.577 person correlation of between financial rewards and employee working efficiency. Moreover, person correlation between non-financial rewards and employee working efficiency is 0.799. Thus, it indicates the important of non-financial rewards on employee working efficiency. In addition, Markova & Ford, (2011) also suggested that non-monetary rewards are stronger predictor of work hours than monetary rewards.

Table 4.1 Correlation Table

		Efficiency
Reward	Pearson Correlation	.729
	Sig. (2-tailed)	.000
	N	100

Survey Data - 2015

5. CONCLUSION AND RECOMMENDATION

According to correlation, analysis there is a significant positive relationship between rewards and employee working efficiency. In addition, this relationship is strong one. Therefore, H1 is accepted.

Moreover, non-financial rewards have given more contribution to determine employee working efficiency than financial rewards. To enrich organization employee working efficiency should

confirm equity of distribute employee benefits.

This research, considered about limited factors to measure reward system such as wages, incentives, compensations, recognitions, security and responsibilities. But those are insufficient to determine

employee working efficiency. As well as this study focused employees of the garment factory. Therefore, future researchers have opportunity to identify relationship between reward system and employee working efficiency of various industries.

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