



Effect of Rewards and Job Satisfaction on the Employee Performance

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Abstract

Rewards is an important motivator. Common uses of rewards as incentive are in the form of wages and salaries, bonus, retirement benefits, medical reimbursement, etc. Management needs to increase these financial incentives making wages and salaries competitive between various organisations so as to attract and hold force.

Keywords : Rewards, Job satisfaction, performance

Introduction

The changing concepts about the management of industrial organisations require a new approach at the concept of productivity. In the past, productivity was defined in terms of rise in output per worker with the same or reduced level of input, through improved methods of work and improved technology. However, it is through the employees that the ultimate increase in production is achieved. The performance and efficiency of employees are more important than equipment and raw materials. Every employee's satisfactory performance is vital to the proper functioning of machinery and equipment in industry. If the employees are not motivated to work harder, better, with sincerity, initiative and cooperation, no amount of sophisticated technology is going to help.

The growing importance for labour efficiency is emphasized in the developed countries like the USA, Russia, Germany & Japan. In Russia labour productivity is measured on the basis of set standards followed by detailed technical studies. In the United States, employees are free to suggest productivity improvement schemes and are offered incentives like a percentage of the savings resulting from the implementation of the suggestions.

The productivity linked wage payment system is employed in Germany. The industries are prepared to share the gains of higher productivity through national consensus. The Japanese also attribute their success in linking productivity with wages to worker's participation in introducing and monitoring the productivity-linked wage system. In India,

incentives by way of cash payments for achieving production levels beyond the base level performance by at least 50%, has not resulted in a reduction of overtime expenses, labour turnover, absenteeism etc. The case of successful organisations like Bharat Heavy Electricals Ltd., National Fertilizers Ltd., Larson & Tubro and Tata Iron and Steel Company is a different story. Their experience shows that greater emphasis should be laid on improving the quality of employees through upgradation of their conceptual, managerial, behavioral and technical skills. The attitude of the employees in the organisation and the work culture play a dominant role in achieving positive results in terms of labour efficiency.

It is equally important to absorb the changing dimensions of productivity from efficiency to effectiveness, concern for linkages between profitability and productivity on the one hand and between productivity and quality of work life on the other. A motivated involved human resource is a precondition without which the gains of technology cannot be achieved. Hence greater stress should be laid on improving the quality of employees through an upgradation of their conceptual, managerial, behavioral and technical skills.

Labour Efficiency and Motivation

The term 'motivation' is derived from the Latin word 'emover' which means 'to move'. It is a process of stimulating people to action to accomplish desired goals. The process of motivation, involves needs, drives and goals. There is 'need' behind most of the actions of a man. Better facilities, more pay, recognition, opportunities for promotion etc. are some of the needs of the people. Drives are called motives and they represent the behavior in the process of motivation. Every undertaking has certain goals which it wants to achieve, which can be materialized only through the efforts of employees.

Trust, hard work and sincere efforts of employees help an organization to achieve the goal of high productivity. Job involvement or belongingness induces a person to put in his best in the development of the organization." Motivation is an internal feeling - a psychological phenomenon which generates within an individual. Each individual in the organization is a self-contained and inseparable unit and all his needs are interrelated which creates continuity in human behaviour. Early writers like F.W. Taylor believed in the economic basis of motivation. Workers would be motivated by obtaining the highest possible wages through working in the most efficient and productive way. Performance was limited by psychological fatigue. For Taylor, motivation was a comparatively simple issue - what the workers wanted from their employers more than anything else was high wages. This

approach is the "rational-economic concept" of motivation. The human relations writers, however, demonstrated that people go to work to satisfy a range of different needs, and not simply for monetary rewards. They emphasised the importance of social needs of individuals and gave recognition to the work organisation as a social organisation, as illustrated in the Hawthorn Experiment. The human relations approach to organisation and management led to the 'social concept' of motivation. The system approach also supports the social concept of motivation. The socio-technical system is concerned with the interaction between both the psychological and social features, and the needs and demands of people; and the structural and technical requirements of the organisation. The Longwell Coalmining study, for example, demonstrated the importance of redesigning work in a manner which provides opportunities for team work and social interaction.

The findings of the Hawthorn experiment, and the subsequent attention to the social organisation and theories of individual motivation, gave rise to the work of "neo-human relation" writers. The writers adopted a more psychological orientation to motivation. Greater attention was focussed on the content and meaning of the task, and attempts to make work more intrinsically satisfying. The major focus of concern was the personal adjustment of the individual within the work situation. This approach is the "self-actualisation" concept of motivation.

Rewards

Most organizations use different types of rewards. Examples of recognitions and rewards include money, plaques, trophies, certificates/citations, public recognition, official prerequisites, special assignments, parties or celebrations or other meaningful celebrations. The most common are wages or salary, incentive systems, benefits and prerequisites, and awards. For majority of people, the most important rewards for work is the pay they receive. For one thing an effectively planned and administered pay system can improve motivation and performance. Money may not actually motivate people. Surprisingly, there is no clear evidence that increased earning will necessarily lead to higher performance. A great deal of research has been done on what determines whether an individual will be satisfied with the rewards he or she receives from a situation. The following five conclusions can be reached about what determines satisfactions with rewards.

1. Satisfaction with reward is a function of both how much is received and how much the individual feels should be received. When individuals receive less than they feel they

should receive, they are dissatisfied. When they receive more than they should, they tend to feel guilty and uncomfortable. 140

2. People's feelings of satisfaction are influenced by comparisons with what happens to others. These comparisons are made both inside and outside the organizations they work in, and are made with similar people. Individuals tend to rate their inputs higher than others.

3. In addition to the obvious extrinsic rewards individuals receive (e.g. pay promotion, status symbols), they also may experience internal feelings that are rewarding to them. These include feelings of competence, achievement, personal growth, and self-esteem. The overall job satisfaction of most people is determined both by how they feel about the intrinsic rewards and how they feel about their extrinsic rewards.

4. People differ widely in the rewards they desire and how much important the different rewards are to them. One group feels money is most important, while other group feels interesting work and job content is. Both groups, of course, are able to find examples to support their point of view.

5. Many extrinsic rewards are important and satisfying only because they lead to other rewards, or because of their symbolic value.

The reward system always links reward to performance. Workers who work hard and produce more or give better quality results would receive greater rewards than poor performers. Also the criteria for receiving rewards are clear and employees know whether they are going to receive rewards for quality performance, innovation, effort or attendance. The management must ensure that workers perceive distribution of rewards equitable. Furthermore, for organizations to attract, motivate and retain qualified and competent employees, they be offered rewards comparable to their competitor.

Reward systems in Many Organisations

1) Incentive and Rewards : Organization design financial incentive which are designed to provide direct motivation – do this and you will get that. Financial rewards provide a tangible form of recognition and can therefore serve as indirect motivators, as long as people expect that further achievement will produce worthwhile results. Financial incentives aim to motivate people to achieve their objectives, improve their performance or enhance their competence or skills by focusing on specific targets and priorities. Financial rewards provide financial recognition to employees for their achievement in the shape of attaining or exceeding their performance targets or reaching the level of

competence skill. Achievement bonus, team based lump sum payment our organization provides in this category .

2) Competency related Pay : competency related pay may be defined as a method of rewarding people wholly or partly by reference to the level of competence they demonstrate in carrying out their roles. This definition has two important points :

(1) pay is related to competence

(2) people may be rewarded with reference to their level of competence.

Organization promotes competence-related pay for effective use of competence to generate value. Competence related pay works through the process of competence analysis of individual competences and level of competence.

3) Skill Based Pay: Skill based pay links pay to the level of skills used in the job and, sometimes, the acquisition and application of additional skills by the person carrying out the job. The term is sometimes used interchangeably with competence-related pay. But skill-based pay is usually concerned with the skills used by manual workers, including fitters, fabricators, and operators. In competence related pay scheme the behaviors and attributes of an individual has to use to perform a role effectively are assessed in addition to pure skill. Organization evaluate the potential cost of skill-based pay as well as its benefits rigorously before its introduction.

4) Team based rewards : team-based rewards as followed by organization are payments or other forms of non-financial rewards provided to members of a formally established team which are linked to the performance of that team. Team based rewards are shared amongst members of the teams in accordance with a scheme or ad hoc basis for exceptional achievement. Rewards for individuals may also be influenced by assessments of their contribution to team results. To develop and manage team based rewards it is necessary to understand the nature of teams and how they function. Team based rewards are not always easy to design or manage.

5) Profit sharing : As many organizations are a profit based organization it share profit between employees. Profit sharing is better known, older and more widely practiced which is associated with participative management theories. Profit sharing is a group based organization plan. The fundamental objectives of profit sharing are

(a) to encourage employees to identify themselves more closely with the organization by developing a common concern for its progress.

(b) to stimulate a greater interest among employees in the affairs of the organisation as a whole, and

(c) to encourage better co-operation between management and employees.

6) Merit Pays : Merit pay is the most widely used in some organization for paying performance. Merit pay system typically gives salary increases to individuals based on their supervisor's appraisal of their performance. The purpose of merit pay is to improve motivation and to retain the best performers by establishing a clear performance reward relationship. Organization takes care of the right performance appraisal through an open and transparent appraisal system, which eliminates the organizational level-based biasedness.

7) Employee Ownership : A number of plans that exist that help get some or all the stake ownership of organization into the hands of employees. Unlike companies which offers stock option plans, stock purchase plans and employee stock ownership plans, our organization provides the opportunity to qualified, loyal and high performing employee to be included in the board of Directors, and or given special designation as Promoters and hence the benefits there in. This is a great motivation for our employees to contribute fully to organization.

8) Employee benefits : employee benefits are elements of remuneration given in addition to the various forms of cash pay. Organization provides a quantifiable value for individual employees which maybe deferred or contingent like a pension scheme, insurance cover or sick pay, or may provide an immediate benefit like organization vehicle. It also includes elements that are not strictly remuneration, such as annual holydays. Benefits in general do not exist in isolation. They are a part of comprehensive compensation package offered by the organization.

The objectives of employee benefits are :

- (a) to get increase the commitment of employees to the organization;
- (b) to demonstrate that the organization cares for the needs of its employees and
- (c) to meet the personal security and personal needs of the employees
- (d) to ensure that the benefits are cost-effective in terms of commitment and improvement in retention rate.

Benefits represents a large share of total compensation and therefore, have a great potential to influence the employee, unit, and organizational outcome variables. The empirical literature indicates that benefits do indeed have effect on employee attitude, retention, and perhaps job choice. Further it appears that individual preferences may play a particularly important role in determining the employee reaction to benefit.

Job Satisfaction

Most organizations strive for employee satisfaction, but not all attain this goal. That's why it's important for human resources professionals to know more about the factors that can increase employee satisfaction, and how it fits into a company's overall success.

Factors of Workplace Satisfaction

Keeping employees engaged and satisfied takes more than just good pay and benefits. The following list reveals some of the key job satisfaction aspects cited by employees:

- **Respect** – According to the SHRM report, employees rate respectful treatment of all employees as the most important factor in job satisfaction.
- **Trust** – Perhaps because of workplace uncertainty in the years following the Great Recession, employees indicated that trust between themselves and senior management was another highly important satisfaction factor.
- **Security** – If you've ever had to go to work each day wondering whether your job is secure, you know it can cause a great deal of anxiety. Organizations can provide a sense of security through honest communication and transparency about the company's health and long-term viability.
- **Healthy Environment** – Workplaces that are free from stress, morale issues, harassment and discriminatory practices can create a positive and healthy environment for everyone.
- **Career Path** – No one wants a dead-end job. Employees are more likely to excel when they can see an established upward path, with the opportunity to earn a higher wage and take on greater responsibilities.
- **Pay and Benefits** – Good wages aren't the only reason employees find satisfaction in their jobs, but they typically rank high on the list. Competitive pay generally makes employees feel valued, and gives them less reason to look elsewhere for work.

How Important is Job Satisfaction?

There is little doubt that great employees are an organization's number one resource. Keeping workers happy helps strengthen a company in many ways, including:

- **Lower Turnover** – Turnover can be one of the highest costs attributed to the HR department. Retaining workers helps create a better environment, and makes it

easier to recruit quality talent and save money. The bottom line: satisfied employees are typically much less likely to leave.

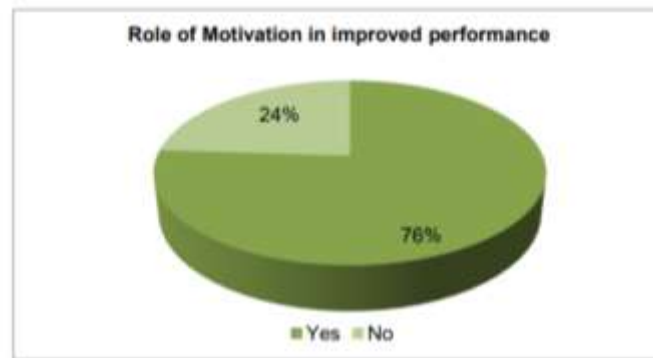
- **Higher Productivity** – Irrespective of job title and pay grade, employees who report high job satisfaction tend to achieve higher productivity.
- **Increased Profits** – Keeping employees safe and satisfied can lead to higher sales, lower costs and a stronger bottom line.
- **Loyalty** – When employees feel the company has their best interests at heart, they often support its mission and work hard to help achieve its objectives. And, they may be more likely to tell their friends, which helps spread goodwill.

It doesn't take much extra effort to keep employees happy. They want to feel respect and trust, while working in a safe environment, with good pay and opportunities to advance. When your company develops ways to deliver on these important factors, it can satisfy employees – and help build a stronger, more stable and profitable future.

Impact of Rewards and Job Satisfaction on the Employee Performance

Job satisfaction is a sensation that employees have about their work environment and their expectations towards work. Thus, job satisfaction can be recognized as what one wants or values from a job. Different kinds of satisfaction lead to diverse objectives and behaviours that ascend from different types of motivation in getting different types of rewards. Rewards with their aftermath relationship were expected to establish on satisfaction of the employee with their organization. Employee who reveals high job satisfaction is motivated by rewards, and rewards supported work engagement. Satisfaction of rewards in public and private sector employee has been established certainly associated with job satisfaction. The job satisfaction is associated with the monetary compensation (pay, promotion, and bonus) and non-monetary compensation is one of the most important explanatory variables in both sectors.

Figure : Motivation is a key ingredient for improved performance



The above graphs shows the team respondents view regarding improved performance.

Out of 50 team leaders; 76% team respondents confident that motivation is the key ingredient in improved performance whereas 24% team respondents feels that there are many ingredient in improved performance..

That means most of the team respondent feels that motivation is the key ingredient in improved performance of employees.

Conclusion

- Rewards programs improve performance : If selected, implemented, and monitored correctly, incentive programs— with awards in the form of money or tangible awards—increase performance.
- Rewards helps in engaging participants : The research found that incentive programs can increase interest in work.
- Reward programs attract quality employees. Organizations that offer properly structured incentive programs can attract and retain higher quality workers than other organizations.
- Longer-term rewards programs outperform short-term programs. The study found that incentive programs that run for a year or more will improve performance.
- Employees value incentive programs. All things considered, both employees and team leaders say they highly value incentive programs. A program's success and return on investment, obviously, depends on how well it's operated.
- That means most of the team leaders feel that motivation is the key ingredient in improved performance of employees

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