

## NON MONETARY REWARDS IN MANUFACTURING INDUSTRY

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### INTRODUCTION

Money is not only the motivator; the employees who have more of esteem and self-actualization need active in them get satisfied with non-monetary rewards only. Non-Monetary Rewards are the benefits that an employee receives from an employer or job that is above and beyond the compensation package (salary, insurance etc.) for the specific purpose of attracting to the company as well as retaining and motivating the employees. The non-monetary rewards consist of employee satisfaction such as responsibilities and employee recognition, chances of promotion, physical environment in which the employee works such as pleasant work environment, sound policies a cafeteria, work sharing compressed work week and free time.

Non-Monetary rewards emphasize on making life on the job more attractive instead of enhancing employee's finances. Employees may differ in their liking of non-monetary rewards. Therefore Human Resource Management must take care in providing the "right" non-monetary rewards for each person. For e.g. some workers are very status conscious, they may value impressive job title. Generally, people working at higher job position or at high rank gets satisfied with non-monetary rewards. Non-monetary benefits are essential to attracting a productive workforce. Many skilled laborers will not accept a position that does not offer at least a simple benefits package

Benefits can be a key element in addressing the lowest level of Maslow's needs hierarchy. If employees do not feel that an organization is treating them fairly with respect to basic needs (food, money for retirement, etc.), then they are likely to be less satisfied with their

jobs, perform at a lower level, or leave. Those who do not feel their basic needs are met may also fail to reach higher levels of motivation.

### **IMPORTANCE OF NON MONETARY REWARDS**

Non – monetary rewards play an important role at the work place of employees

1. Non-financial rewards can have an even more substantial impact on employee satisfaction and motivation than traditional financial rewards.
2. Companies with excellent non-financial incentive plans can attract motivate and retain talented people.
3. Many companies rely on money almost exclusively to motivate their workforce, but employees often rate other aspects, such as recognition and flexibility as more important. Companies tend to rely on non-financial rewards when budgetary constraints make it difficult to offer raises or other monetary incentives.
4. Non-monetary rewards have an intrinsic motivational impact on the employee these types of rewards increase employees' motivation to work by raising their self-esteem and can satisfy employee's professional ambitions and personal fulfillment.
5. Types of non-monetary reward that employees are likely to appreciate are those that encourage career advancement. For example by offering developmental opportunities, providing the opportunities to the employees to go to the conference.
6. Non-financial rewards can satisfy employees just as well as financial rewards by making them feel like a valued part of your organization and showing them that they are appreciated.
7. Implementing a non-monetary reward program can build loyalty, culture, and communication between internal networks while it reduces conflict and conflict-related competitiveness between management and staff—all at little cost to the company.

## **LATEST TRENDS IN NON- MONETARY REWARDS:**

Traditionally, financial reward has been the main-stay of employee motivation strategy. However, this has changed in recent years, with employees also seeking non-financial rewards to provide them with more flexibility and regular recognition within their working lives. The key trends of non-financial reward, the main options available to managers, and its potential benefit to employers in their quest to engage, retain and recruit key talent. Non-financial reward specifically has been identified as ‘the primary vehicle in attracting and retaining talent’ and a ‘key motivator and driver for employee engagement’.

### **1. Incentive and Recognition schemes**

Both incentive and employee recognition provide managers with cost-effective methods of motivating their teams to perform, while embedding a positive culture of regular reward and recognition. The key differences between the two approaches are highlighted below:

#### **Incentive schemes:**

- Rewards future results
- Based on specific performance measures and targets
- Require a structured framework

#### **Employee recognition schemes:**

- Rewards retrospectively
- Based on improved standards of performance, but not specific performance measures.
- Require a less formal approach

### **Incentive schemes**

Incentive schemes work by motivating teams to achieve specific results in the future, such as increased sales or improved customer feedback. Generally, the manager identifies the scheme’s overarching aim in line with employee, customer or organisational needs before communicating individual performance measures and timeframes to the workforce, along with details of the reward itself. If the scheme is planned to run over a lengthy period, consider offering interim rewards in order to keep the scheme’s objectives fresh in employees’ minds and boost their motivation throughout the course of the scheme.

### **The reward**

The reward itself is generally decided by the manager, ahead of the incentive scheme's implementation. Clearly the budget available will play a part in this decision, but wherever possible, the reward should reflect the value of the achievement to the organisation. It should also be something that the employee will appreciate and value. Consulting with the workforce prior to implementation will result in a clearer picture of which rewards would most motivate the team to perform well in an incentive scheme.

Cost-effective rewards can include:

**Retail vouchers**: These can be useful for controlling cost and also allowing the employee flexibility to select their own specific reward.

- **Cinema/meal vouchers for two**: Promotes a healthy work-life balance and again controls the organisation's contribution to the activity.
- **Paid time off work**: This incurs little financial cost to the organisation but will hold significant value to employees. According to the level of achievement, a whole day off, a half day or even a long lunch could be rewarded. Managers offering this incentive should ensure they have enough resources available to allow the successful employee to make use of their reward at an agreed level of notice.
- **Team rewards**: These are particularly effective for rewarding team success. Offering rewards to individuals rather than teams can, in some groups, lead to a climate of internal competition; team rewards are a useful antidote to this and encourage employees to work together toward a common goal.

### **Employee recognition schemes**

Employee recognition schemes provide managers with a system for rewarding performance, activity or behaviour after it has taken place. Although a formal framework is not usually required to administer an employee recognition scheme, managers should consider the following in order to maximise its effectiveness:

- **Plan ahead**: Having established the scheme's aim, identify relevant performance measurements in advance of its implementation. This will afford managers increased control over the scheme and objectivity when deciding who to reward.
- **Frequency of reward**: consider how frequently you plan to offer a reward under your employee recognition programme. Weekly? Monthly? Quarterly? As with

incentive schemes, consider offering interim rewards to maintain interest if the scheme is going to run for a while (e.g. offering an employee of the month award as well as employee of the year).

- **Who to reward:** Rewarding the same employee repeatedly can alienate others and impact negatively on their motivation to participate. By identifying a range of performance measures from the outset, managers should be able to select a 'winner' from a small but diverse group of employees who have all excelled in different areas. Adopting this approach should ensure a different employee can be rewarded each time the scheme runs.

## **2. Flexible working**

"Employees who are satisfied with their work-life balance and those on flexible contracts are more engaged with their work than those who are dissatisfied or not working flexibly."

It is widely acknowledged that flexible working – a framework that allows employees to achieve a more effective work-life balance – can play a significant role in terms of improving engagement and retention. Flexible working programmes vary from company to company; however, many include one or more of the following elements:

- **Flexitime:** allows employees to arrange the times they work themselves within prescribed limits, e.g. core hours.
- **Staggered hours:** Employees have flexible start and finish times, but don't accrue extra hours.
- **Annualised hours:** Employees commit to working a set number of hours per year rather than per week.
- **Part-time working/reduced hours:** Employees are contracted to work for only a certain part of the working week/month/year, and are paid on a pro rata basis.
- **Compressed hours:** Employees work their contracted hours over extended days but a shorter working week/month.
- **Remote/mobile/home working:** Employees work at a location other than a traditional office (eg, from other premises or from home).
- **Time off in lieu:** Allows employees to take paid time off as compensation for extra hours worked and is often given instead of overtime pay.

### **3. Total reward**

A total reward strategy is designed to improve employee engagement levels by promoting a deeper understanding of the organisation's total investment in each employee. In total reward environments, reward is communicated as a package which does not just include salary, bonus and share options but also non-financial benefits such as:

- Learning and development opportunities.
- Membership of professional organisations.
- Subscriptions to professional publications.
- Private medical insurance.
- Private dental care.
- Gym membership.
- Subsidised meals.

### **4. Job Design**

The process to systemize the tasks, duties and responsibilities is called job design. It aims at enhancing employee satisfaction and accomplishing organizational goals by designing the content, methods and connection of jobs, according to the aptitude and abilities of employees. A well designed job can increase the employee morale by reducing the monotony and repetition of work. The job design can be improved by implementing the HR interventions like job rotation, job enrichment and job enlargement. These interventions are helpful in terms of creating a challenging work environment with varying the job aspect which enhances the employee motivation and productivity.

### **5. Flexible benefits**

A flexible benefits scheme offers employees a range of options from which they can select or 'trade'. It provides them with the opportunity to create a personalised reward package which is valuable and meaningful to them and their lifestyle.

Benefits which are typically seen in a flexible benefits scheme include:

|                              |                                 |
|------------------------------|---------------------------------|
| • Annual leave entitlement.  | • Life assurance.               |
| • Private medical insurance. | • Critical/ accident insurance. |
| • Dental insurance.          | • Health screening.             |
| • Gym membership.            |                                 |

## **6. Voluntary benefits**

Where flexible benefits offer employees a range of benefits options which are paid for by their employer, voluntary benefits allow employees to purchase their own products and service at a discount which is arranged by the employer.

The most commonly offered voluntary benefits options included:

|  |   |
|--|---|
| • Private medical insurance.                           | • Life assurance.   |
| • Group personal pension plan.                         | • Healthcare/hospital cash plan.                          |
| • Discounts for local retailers or leisure activities. | • Leisure/entertainment services from national providers. |
| • Legal advice/helpline access.                        | • Season ticket loan.                                     |
| • Retail products                                      |   |

## **7. Tax-efficient benefits**

In addition, some voluntary benefits can be paid for by the employer through salary sacrifice arrangements. This involves the employee agreeing to waive a certain amount of salary in exchange for the provision of a benefit-in-kind by their employer. This lowers the employee's contractual pay and reduces the income tax and NI contributions required by both employee and employer. Further tax savings are incurred when the benefit-in-kind is not taxable or subject to National Insurance contributions.

Tax-efficient benefits include:

|                           |  |
|---------------------------|--|
| • Mobile phones.          | • Bicycles for work.                       |
| • Pensions contributions. | • Public transport.                        |
| • Childcare vouchers.     | • Purchase of food in on-site restaurants. |

8. Giving Leadership Roles.

9. Loyalty Awards.

These are some of the trends of non-monetary rewards that the organisations are providing to their employees in order to motivate them and reduce the turnover.

### **OBJECTIVES OF THE STUDY:**

The objectives of my study are:-

- To study the various non-monetary rewards offered to the employees in manufacturing industry.
- To know about the latest trends in non-monetary rewards.
- To study the importance of non-monetary rewards on employee's motivation.

### **INDUSTRY PROFILE:**

**Manufacturing industry** refers to those industries which involve in the manufacturing and processing of items and indulge in either creation of new commodities or in value addition. The manufacturing industry accounts for a significant share of the industrial sector in developed countries. The final products can either serves as a finished good for sale to customers or as intermediate goods used in the production process.

It is the production of merchandise for use or sale using labour and machines, tools, chemical and biological processing, or formulation. The term may refer to a range of human activity, from handicraft to high tech, but is most commonly applied to industrial production, in which raw materials are transformed into finished goods on a large scale. Such finished goods may be used for manufacturing other, more complex products, such as aircraft, household appliances or automobiles, or sold to wholesalers, who in turn sell them to retailers, who then sell them to end users and consumers.

### **LITERATURE REVIEW:**

Research paper by **Dr.Sharjeel Saleem & Zafarullah Waqas** talks about the concept of employee engagement and how employee engagement can be strengthened by offering monetary and non-monetary rewards to employees. Organisations need to assess the relationship between employee engagement and high firm performance. The study explores the importance of monetary and non-monetary rewards for development of employee engagement, and how this employee engagement affects firm's overall performance. Most of the research studies have shown consistently that the encouragement and appraisal or reward system for the employees resulted in higher employee retention rates, productivity, and job satisfaction. **Martha Harunavamwe and Herbert Kanengoni** talks about the effect

of monetary and non-monetary rewards on motivation with respect to lower level employees in the retail industry. Many retail organisations are adopting a strategic approach to motivation management in order to improve their competitiveness, profit and sales. Common strategies employed include ensuring employee loyalty, organizational citizenship behavior, and appropriate rewards. **Scott Jeffrey** states that firms struggle to design incentive programs that will elicit the right level and types of effort from employees for the lowest cost. This paper discusses the psychological constructs of justifiability, evaluability, social reinforcement, and separability and ways that they may cause tangible non-monetary incentives to accomplish a firm's employee motivation goals better than a cash incentive of equal market value. The paper describes the features of tangible non-monetary rewards and the benefits of non-monetary rewards that are psychologically perceived by an employee. **Alkhaliel Adeeb Abdullah** in his research describes the relationship between non-monetary incentives and job satisfaction in influencing 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. 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. **Tausif M** research paper talks about the relationship between the non-financial rewards and employee job satisfaction for educational sector. The non-financial rewards are the strong determinant of job satisfaction for the employees of public educational sector.

### **RESEARCH METHODOLOGY:**

The primary objective of the research is to study the various non-monetary rewards provided to the employees in manufacturing industry. The research methodology adopted is based on the secondary data.

- \* Research Design : Descriptive Research
- \* Data Type : Secondary Data
- \* Type of Industry : Manufacturing Industry

### **A case on organization culture and structure of Coca Cola Company**

The Coca Cola Company is the world largest multinational beverage company at the same time the world number one producer and marketer of soft beverages drinks and the company with the most valuable and recognized brand globally. The success of the company rotates around five key factors which include recognized brand, quality, marketing, availability and innovation. A multinational global organization like Coca Cola Company has a flexible structure that not only focused on product, marketing and distribution of finance but also profoundly encourages team work in each of their innovations.

In every product development the company assembles an employee team of different specialties to analyze all the possibilities. Coca Cola often organizes its employees into teams in carrying out there operations. This makes the employee feel valuable within the team by contributing different idea on proposed operations at the same time by being innovative. Coca cola provides the Team rewards that motivate the employees to work as a team. The Coca Cola Company is based on its culture on enhancing and empowering its employees. So the company considers employees as the most valuable asset.

The company by its strategy creates a friendly and innovative culture which made it brand reputation globally. An open free communication is a belief to be a means to sustain culture, based on that coca cola company provides a good number of communication channel the monthly leadership team, meetings, work team brief sessions, departmental meetings holding on weekly basis.

Coca Cola Company thus focuses and invests on their employees in order to motivate them so that they can contribute their best efforts in the achievement of the goals of the company.

### **An Article on Nestlé Total Rewards Policy**

As the leading Nutrition, Health and Wellness Company, Nestlé's name is instantly recognizable throughout the world. But what attracts new hires and keeps current employees engaged is not only remuneration and benefits based on solid performance.

It is the hard earned value and trust that nestle brings to those who work with it , the relationships with the line managers and fellow workers; recognition and experiences enjoyed while working for a diverse global company; possibilities to learn and grow.

Rewards need to correspond to what is valued by employees in each and every Market in alignment with our Nestlé principles, culture and the aspirations of the current and potential new employees. Total Rewards must be in line with Nestlé's corporate governance

framework and applied within the local, legal and socio-economic environment. There is a certain degree of discretion in designing programmes to ensure compliance with prevailing legislation or comparability with local trends and practices. It is also important that the “Total Rewards” picture should be simple to understand and competitive. It is Nestlé’s expectation that every employee has a full understanding of the specific characteristics of Total Rewards and how they are established and maintained throughout the Group. This Nestlé Total Rewards Policy aims to give this understanding and to explain how Nestlé is committed to giving each employee the opportunity to grow, evolve and contribute.

The purpose of the Nestlé Total Rewards Policy is to provide a reference for all employees to understand the framework on which their Total Rewards are structured and the principles on which they are based. The Nestlé Total Rewards Policy is aligned with the Nestlé Corporate Business Principles and all other relevant Policies, Guidelines and initiatives.

### **Article on Employee Engagement and Employee Development at Larsen & Turbo Company**

Every organization has a stated purpose of existence. And, any employee joining the organization will have a perceived individual purpose of employment. It is the organization, which, through its people management interventions, synchronizes every employee towards the vision of the organization and also fulfills the individual purpose.

The **Talent Development & Employee Engagement** is a unique function in Human Resource Management in L&T Technology Services, which provides powerful framework to determine the organization’s talent needs and plan people management interventions that will meet those needs. The function has a robust and sustainable model that drives employee engagement in a way that ensures employees are committed to the organization’s goals and values, motivated to contribute to organisational success, and are able to enhance their own sense of well-being.

The companies HR policies and practices are designed to enable employees to realise their full potential. The underlying objective of Larsen and Turbo is to provide individuals the platform to perform at peak potential, a safe and secure workplace and a stimulating environment to innovate and experience the pride of a job well-done.

### **Similar Non Monetary Rewards**

Thus from the above cases and articles on the three companies (Coca Cola, nestle and Larsen and turbo company) which are selected for the research the non-monetary rewards which are common in all the three companies are:

- Recognition.
- Working environment.
- Training and development.
- Career opportunities.
- Performance Appraisal and feedback.
- Team Rewards.
- Autonomy.

### **Other Non-Monetary Rewards given by the companies**

| <b>Other Non-Monetary Rewards</b>                                   | <b>Name of the Company</b> |
|---|----------------------------|
| 1. Giving leadership roles  | Larsen & Turbo Company     |
| 2. Loyalty awards   | Larsen & Turbo Company     |
| 3. Opportunity to attend outside seminars                           | Larsen & Turbo Company     |
| 4. Communication Approaches with workforce and grievance management | Coca Cola Company          |
| 5. Opportunity to work on an interesting assignments                | Nestle Company             |

### **FINDINGS OF THE STUDY:**

The Findings of the study are:-

1) Since the primary objective of the study is to study the non-monetary rewards provided to the employees in manufacturing sector. The various Non-Monetary Rewards which are provided to the employees in manufacturing sector are:-

- Recognition
- Working Environment
- Training and Development
- Career Opportunities
- Autonomy
- Team Rewards

2) The Other objective of the study is to know about the latest trends in the Non-monetary rewards. The various new trends that the companies are now bringing in their non-monetary rewards package are:-

|   |  |
|---|--|
| Incentive and Employee Recognition Scheme             | Flexible Benefits                      |
| Team Rewards, Paid off Work, Cinema and Meal Vouchers | Tax Efficient Benefits                 |
| Flexible working                                      | Voluntary Benefits                     |
| Job Design  | Giving Leadership Roles                |
| Learning and development Opportunities                | Loyalty Awards                         |
| Membership of Professional organisations              | Opportunity to attend outside seminars |

3) The following relationship has been found between non-monetary rewards and employee motivation on the basis of motivational Theories.

- **Maslow's need hierarchy theory**

Maslow's hierarchy of needs assumes that needs are arranged in a system that contain lowest-level needs, which are psychological needs, and the highest needs which are self-actualization needs, therefore, according to Maslow, individuals must move up the hierarchy in order the assumption of Maslow's theory is that individuals are motivated based on which hierarchy they are in. For example, a homeless person is not motivated by his or her social status, but his or her ability to find food and shelter. Thus, individuals have different levels of needs in each of these areas, and those levels will drive their behavior. The lower level needs of an employee can be satisfied with money but the higher levels needs of the employees such as esteem and self actualisation need can only be fulfilled by providing non-

monetary rewards such as recognition , responsibility career and development opportunities etc.

- **Herzberg Two factor theory**

According to this theory there are two kinds of factors that affect motivation hygiene factors and motivators. Hygiene factors create dissatisfaction if they are inadequate and individuals will not be significantly motivated if these factors are adequate. The presence of these factors will not motivate the individuals but there absence will dissatisfy the individuals. The hygiene factors are the financial rewards that do not motivate the individuals when present but there absence leads to dissatisfaction.

Motivators are the intrinsic factors such as recognition, responsibility, and personal growth. Motivators determine the satisfaction amongst the employees' presence of the intrinsic factors highly motivates the employees.

- **Mc clelland achievement theory**

McClelland's proposed a theory of motivation that is closely associated with learning concepts and believes that many needs are acquired from culture. There are three main points to McClelland's theory: the need for achievement, the need for affiliation, and the need for power.

First, the need for achievement is pertinent to one who is driven to excel, to achieve in relation to a set of standards where he or she has the feeling of successful accomplishment. Second, the desire for friendly and close personal relationships is important in most organizations. Third, the need for power is the need to make others behave in a way that they would not otherwise have behaved. The assumption of McClelland's theory of needs is that people with different needs are motivated differently. The implication for managers is finding what motivates certain individual groups and assigning them with different rewards. Those with high needs for achievement should be given challenging projects with reachable goals. They should be provided with frequent feedback. Those who seek a need for affiliation should be placed in groups that can work as a team. Those who have a need for power should be given an opportunity to manage. Managers can learn to see an employee's strength by placing individuals in certain training programs

where they will be motivated to find their niche in certain skills needed in the organization.

- **Expectancy theory**

This theory states that the motivation to behave in a particular way is determined by an individual's expectations that behavior will lead to particular outcome multiply by preference or valiance. Non-monetary rewards play an important role in motivating the individuals.

### **CONCLUSION:**

Since the primary objective is to know about the various Non- Monetary Rewards which is given by the manufacturing industry to their employees for which the various non-monetary rewards that are given to their employees by the three manufacturing companies i.e. Coca Cola , Nestle and L&T company are studied. The secondary objective was to know about the latest trends that the companies are adopting in the non-Monetary rewards , the different non-monetary rewards that the companies are offering in today's scenario in order to motivate their employees are studied and the last objective was to study the importance of the non-monetary rewards on the employee motivation for which the relationship between the different motivational theories and non – monetary rewards are studied and the objectives are achieved successfully .

Also a thorough study about the three companies was conducted and the different cases and articles about the companies are used that helped to reach to the findings of the study. Certain suggestions have been presented that should be considered in deciding about total reward package and the making the decision about the non - monetary rewards.

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