Study of Impact of Financial Rewards on the Employee's Satisfaction

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Abstract:

Money is an important motivator. Common uses of money 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. This paper focuses on the role and impact of financial rewards on the employees satisfaction.

Keywords : Financial rewards, employee, satisfaction

Introduction:

The concepts of "incentive", "reward" and "recognition" are relatively interrelated and complementary in the context of employee motivation. It is difficult to draw a line among them. The biggest category is the "incentive" which refers to any means that makes an employee desire to do better, try harder & expend more energy. The incentives are divided into two categories: monetary incentives and non-monetary incentives. Monetary incentives contain granting of reward in terms of money such as commissions, bonuses etc. Non-monetary or non-cash incentives do not include direct payment of cash and they can be tangible or intangible. Some examples of this type of incentives are; encouraging the employees by providing them with autonomy in their job and participation in decision making, assigning challenging duties, improving working conditions, recognizing good effort through small gifts, letters of appreciation, plagues, tickets to restaurant etc., providing some services for the employees, establishing social activities in the work place, etc.

Human always thinks about our development. As the plan for our development we also have to decide our working area, or the most possible / approachable field. Everyone likes to cover bigger area as much as he can cover. Initially, a small area of operation in each segment of life studied. But as the technology developed, we become part of global makeover and now we are able to cope with the market development at large.

Technology has made a remarkable development in respect of our approach at a mass level. It opens the door of numerous avenues as well as has brought in several threats, which should be analyzed carefully. Due to development in technology, the information can be moved from one place to another in very short span of time, earlier which required lot of time. The employees are the life-blood of any organization. The most important asset for any of the industry is their employees. The industries provide different types of incentives to boost the workability and satisfaction of their employees.

There are various incentives applied in the organizations to motivate employee that can actually be applied in the workplace, we normally sub-divide them into financial and non-financial methods.

Financial methods directly involve monetary rewards e.g. bonuses, pay rises, pensions etc.

Non-financial means, though maybe indirectly bringing monetary rewards, are targeted at providing psychological benefits for workers.

It must be remembered that both financial and non-financial methods have costs to the employer, either through direct costs such as further pay, or indirectly through the provision of training or management time spent. The reality of these costs is one of the main reasons why a consistent approach to motivation is hard to achieve in the long run.

Financial methods of Motivation

If you pay peanuts you get monkeys, this was one of Herzberg's favourite sayings, and although many commentators focused on his motivation factors, he was often at pains to stress the importance of hygiene factors. Herzberg stressed that pay and other forms of financial remuneration are key methods of ensuring the satisfaction of workers.

Indian industry, time has come to prove the very logic of its existence. It has only two options - either to grow or die. In the current competitive environment, it has to cope with the standards of its major competitors. Even the most leading companies are trying to locate areas where they can co-operate for mutual benefits. Indian industry has to enhance the efficiency of production mechanism, human resources and distribution systems to survive and excel in its performance. This could be achieved through a willful attempt to review the whole system and upgrade the men and machinery to suit the demands of the time.

Productivity and Labour Efficiency

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 with out 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.

In the Indian context, the key to people orientation is 'trust'. Some of the successful organizations have won in creating among employees a feeling of commitment and emotional involvement interwoven into a corporate culture by the top management. This will naturally result in high morale and positive work culture of employees. In other words, labour efficiency can be improved through effective motivational forces. Then, it becomes essential to identify the factors which may motivate the workers to elicit their best performance and ultimately an overall increase in their efficiency.

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 procedure of motivation, involves needs, drives and goals. There is 'need' behind most of the actions of a man. Healthier 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 with in 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 is the motivated by obtaining the highest possible wages through working in the most efficient and productive way. Performance was limited by psychological fatigue. The 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.

Reward system followed by most of the organization :

The reward system always link reward to performance. Workers who work hard & produce more or give better quality results would receive good rewards than poor performers. 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 ensures that workers perceive distribution of rewards equitable. Furthermore, the organizations to attract, motivate and retain qualified and competent employees, they be offered rewards comparable to their competitor.

Many organization following the following type of reward systems :

1) Incentive and Rewards : Organization design financial incentive which are designed to provide direct motivation – do this and you will get that. Financial rewards afford 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 objectives, improve their performance on augment 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 capability skill. Achievement bonus, team based lump sum payment our organization provides in this category.

2) Competency related Pay : competency related pay is 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 important points : (1) pay is related to competence (2) people may be rewarded with reference to their level of competence.

   Organization endorses 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 providing to members of a formally established team which are linked to the performance of that team. Team based rewards are shared among members of the teams in accordance with a scheme or ad hoc basis for exceptional achievement. Rewards for individuals may also be partial 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 hoe 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 extensively 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 indentify 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 drive 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 Directors, and or given special designation as Promoters and hence the benefits there in. 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 different 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 advantage like organization vehicle. It also includes elements that are not strictly remuneration, such as annual holidays. Welfares 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.

Financial Rewards and Job Satisfaction

Financial incentives aim to motivate people to attain their objectives, improve their performance on 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 are examples of financial rewards. A shop-floor payment-by-result scheme or sales representative's commissions are examples of financial incentive.

The private industries offers various financial and non-financial incentives to their employees. This chapter had discusses about them. The next chapter deals with the utilization and effectiveness of incentives offered to employees.

Financial rewards are cash prizes used to encourage staffers to meet specific goals within a business or organization. For example, a cash reward might be given monthly for the highest-producing sales person, or the individual who generated the most new leads. Financial rewards can be a fixed amount or a percentage of closed sales. They also might be in the form of profit-sharing or company-wide bonus programs. Additionally, incentives like spot bonuses can be given on-the-spot to recognize innovation or personal achievement; stock options may be a viable financial reward for start-ups to issue.

The financial rewards is typically understood to describe all financial means of pay provided by an Employer to an Employee in return for their individual effort and contribution, skills, and work done. Pay is such a basic concept in the employment contract that not much time is spent thinking about what it means and in the majority of cases it is relatively straightforward.

Impact of Financial Rewards

The financial incentives as the term is used in this work can be described as the influence that payment to organization and individuals have on the consumers. The financial incentives are directed towards improving inequality of work and improves job satisfaction.

The financial incentives can be manipulated to affect employee's decisions. The challenge to funders or payers is to assemble the mix or blend of financial incentive rules and monitoring efforts that result in the employee productivity. The greater the costs of these activities, the less likely that financial incentive are used. The effectiveness of any financial incentive scheme in eliciting changes in employee's productivity and job satisfaction depends not only on the amount and type of payment, e.g. staff preference for monetary versus other incentives such as autonomy, security, and conducive working environment and self-development opportunities.

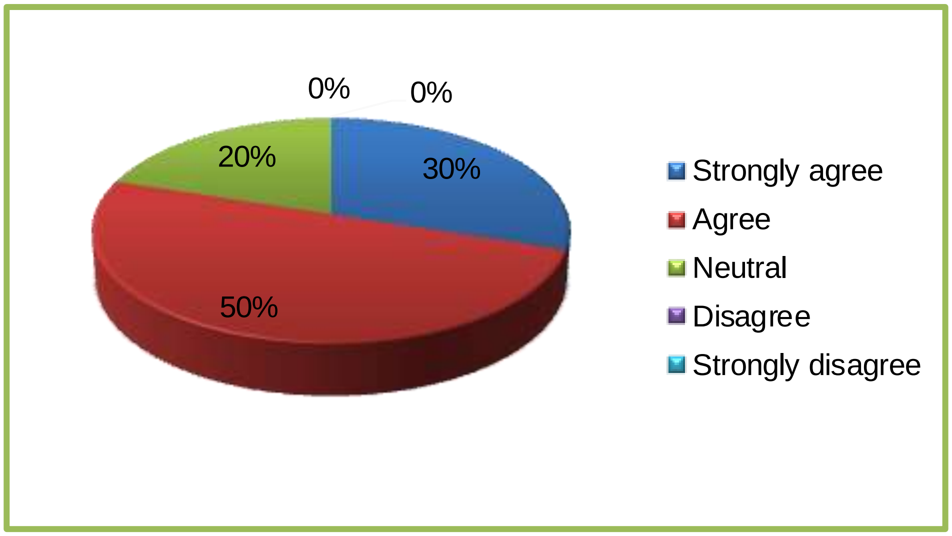
A greater number of the employees are happy with what they are paid as salaries. The financial incentive has a great impact on the productivity and job satisfaction of employees in an organization. The promotion in private industries is on the basis of performance on the job and qualification. Employees prefer direct financial rewards than any other incentives to put in their best in an organization.

Table 1 : Relation between job satisfaction and financial rewards

Total numbers of participants are 10

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
3	5	2	0	0

Graph 1 : Relation between job satisfaction and financial rewards



The above graph shows the relationship between job satisfaction and rewards. Out of 10 respondents, 30% respondents strongly agree with the statement 'financial rewards bring more job satisfaction'. While 50% respondents agree with the statement, 20% respondents neutral with the statement, no respondents disagree and strongly disagree with the statement.

That means majority of respondents feels that financial rewards bring more job satisfaction.

Conclusion :

- Employees working in the industries constantly strive for the financial or non-financial motivations to make them competent in the changing works culture.
- Rewards helps to improve economic condition, social status, job satisfaction and work efficiency.
- Employees commitment in work improve with the hike in salary.
- Financial rewards affects employees morale and commitment to work.
- Financial rewards bring more job satisfaction than non-financial rewards.
- Rewards helps in boosting job satisfaction.
- Motivation is a key ingredient for improved performance.
- Rewards helps in overall development of organisation.

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