Impact of Rewards on Employee Behaviour

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Abstract
There are many factors that influence employee behaviour at work. In the competitive business world, organizations realize that intellectual capital is critical to business success and to keep ahead with frequent demand for change, there is need to attract, retain and engage the best minds. Behavior is widely determined by the level of perception born of value attached to the outcomes of work. It has been known that individuals adjust to their working terms and conditions aiming for fairness so as to give back as much value as they receive. Poor rewards will be reflected by negative behaviours or lack enthusiasm towards work among employees while well rewarded employees are equivalently productive, efficient and creative. Data was collected from 108 employees selected thorough stratified random sampling and analyzed by descriptive and inferential statistics. This study established that rewards significantly affect individuals’ behaviors either positively or negatively and recommends that organizations should identify the kind of rewards that are more suitable to employees in different scenarios. The Authors view rewards as the main recipe for initiating positive change in employee attitude in favour of the organization and its goals. Managers can therefore employ this tool to develop, build and sustain desired culture entailing high performance, commitment to work and loyalty while discouraging negative behaviours such as absenteeism and lateness.

Keywords: Total reward, reward system, performance, absenteeism, lateness and turnover.

1. INTRODUCTION
Total reward is everything the employee perceives to be of value resulting from the employment relationship and includes all types of rewards, direct and indirect, as well as intrinsic and extrinsic. The typical components of total reward which make up the levers employers can resort to in order to motivate, engage and retain staff are pay, benefits, working environment, learning and development (Armstrong, 2006). It was born as a means to help businesses to satisfy their most important needs which are to attract, retain, motivate and engage staff, not just by means of salary increases, golden handcuffs and the like, but in a more effective way capable of producing long-lasting results (Longo, 2011). The aim of total reward therefore, is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement, organizational commitments and job satisfaction (Manus and Graham, 2003).

Employee reward has gone through various developments driven by changing employee needs. Total reward concept has roots in compensation management from at least the early 1970s In 2000 total reward was billed the greatest breakthrough in compensation and benefits as health care plans were being introduced alongside other pay packages. Introduction of the concept brought confusion and disruption but despite it all many organizations passed and adopted the concept that tries to balance between long term and short term rewards as well as variable and non-variable rewards (Frank, 2009).

Although not claiming, it is universally applicable ‘one size-fits-all’ concept, proponents of the total rewards concept promote a ‘total flexibility’ advantage that has the same result – it can be widely adopted because of its ability to ‘take many shapes and sizes’(World at Work, 2000).

Reward is clearly central to the employment relationship since most people work in a large part because it is their only means of earning money needed to take care of their needs leading to job satisfaction. For commercial organizations, the money spent on salaries, benefits and other forms of rewards typically accounts for well over half the total cost, thus it is a major determinant of both profitability and competitiveness (Torrington, Hall and Taylor, 2008). Such costs can be saved, especially for service firms including banks if reward programmes are targeted at employee’s positive attitude and by extension behavior.

The banking sector has been ranked among the most successful sectors in Kenya based on the level of customer satisfaction, use of technology, product innovation and marketing. Players in this sector are experiencing an ever growing competition owing to increased innovation. To fight the stiff competition, banks engage in intense recruitment processes, aligning of work to business objectives, training and development, good communication, information sharing, and offering special reward packages. It is notable that the industry is changing fast, providing room for continual improvement of human resource practices.

Banks have been keen on growth and expansion and this has led to continuous war for talent to operate in subsidiaries in the regional market and to steer innovation. Top on demand are people who are technologically literate, globally astute and capable of not only developing but also executing strategy, setting off a scramble for staff among the top firms. However, in as much as banks work to get people with the greatest potentials to occupy positions, employee maintenance has become a challenge for most of them due to the high labour costs.
involved, constituting up to 70 per cent of the total cost structure (Melissa et. al., 2013). In attempts to remain competitive and profitable, banks have resorted to cost reduction, the first casualty being the human capital investment like cutting back benefits and recruitment, freezing or cutting salary increases, promotion and development programmes like training. With profitability in 2011 being under threat due to heavy labour costs, banking heads foresaw an increase in cutting on staff costs as the rate of inflation grew (Kimani, 2011). Statistics from the Central Bank of Kenya indicated that the number of new employees in the sector had grown more than four times in 2008 to stand at 2,714 pushing total employment in the sector to 28,846. In 2009, total employment stood at 26,132, compared to 25,491 the previous year. Unfortunately, focus is on payrolls to reduce the cost to income ratio with most banks aiming below 50 per cent level. Employees interpret the labour cost cutting measures as a breach of trust, making it more difficult for firms to retain key talent (Ritchner, 2006). The outcomes of such an event are reduced staff motivation and satisfaction leading to low output levels, loss of morale, lowered organizational commitment, work withdrawal behaviours such as absenteeism and lateness, increased turnover, mistrust, uncertainty and insecurity. From an organizational perspective, the overall aim of rewarding employees is to increase employee job satisfaction with a view of achieving organizational goals such as productivity and profitability. This study therefore, sought to identify the role of total reward in improving job satisfaction in the banking sector. Based on these arguments that have been made, the study aims to answer the following questions:

i. What are the effects of total reward (work environment, financial pay, benefits, learning and development) on job satisfaction among bank employees?

ii. What is the perception of bank employees on the existing rewards?

iii. To what extent do rewards influence job performance, lateness, absenteeism and turnover intention among bank employees?

1.1 Reward System

According to Armstrong (2006), reward systems consist of policies that provide guidelines on approaches to managing rewards, practices that provide financial and non-financial rewards, processes concerned with evaluating the relative size of jobs and assessing individual performance and procedures operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides value for money. Reward system should be aligned to motivate employee performance that is consistent with the firm’s strategy, attract and retain people with the knowledge, skills and abilities required to realize the firm’s strategic goals, and create a supportive culture and structure (Allen and Kilmann, 2001). Gomez-Mejia and Balkin (1992) argued that organizations need to align their reward system practices with their organizational strategy in order to achieve higher levels of performance at both the individual and organizational level. Cascio (2010) further argues that intellectual capital is critical to business success. To keep up ahead with the steep new-product curve, it will be crucial for business to attract, retain best thinkers and keeping them engaged. This requires more than just huge pay checks but cultures and reward systems that keep the best minds engaged.

Schaufeli, Salanova, Gonzá ‘les-Roma’ and Bakker (2002) argue that rewards are vital in order to reduce burnout, which is typically experienced by most employees on the job leading to less fulfillment, negative outlook, less vigor and dedication in handling the tasks at hand. It is, therefore, notable that reward programmes that target employee’s positive attitude and behavior, can save a lot of costs for service firms.

Though rewards are widely used in everyday settings, it is worth mentioning that some researchers and practitioners claim that rewards damage peoples’ motivation and performance (Deci et. al., 1999). The argument is that when offered a reward for performance, individuals perform the activity for the incentive rather than for internal reasons. The result is said to be a reduction in perceptions of competence and self-determination that in turn decrease motivation and quality of performance.

In general terms, reward programmes come within the overall concept of compensation strategies which are defined as the ‘deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various sub-units, individuals or groups are directed towards the achievement of organization’s strategic objectives’ (Gomez-Mejia and Balkin, 1992). These are tools that are expected to add to the effectiveness of the organization through behavior influence.

According to Cascio (2010), performance management helps in defining what rewards employees will receive as guided by organizational goals. In the process of encouraging high performance, it is important to provide sufficient number of rewards that are really valued by employees and in a timely fashion and fair manner. Though many systems still include link of performance with pay, some difficulties have been experienced with some organizations finding that the merit element of pay was too small to motivate staff and sometimes seen as insulting. Despite the fact that performance management organizations were more likely than others to have merit or performance-related pay, some organizations have regretted the inclusion. It has been reported that staff almost universally disliked the link with pay, and a manager in one of the case study companies reported that ‘the whole process was a complete nightmare’ (Torrington et al., 2008). Institute for Employment studies (IES)
(2001) found that there was more satisfaction with the systems where promotion and development, rather than money, were used as rewards for performance.

Employees at least, expect the employer to provide fair pay, safe working conditions and fair treatment. These expectations of employees vary depending on their level of need for security, status, involvement, challenge, power, and responsibility. Career stage life cycle combined with age describe employees’ demand for rewards as varying throughout their different stages of careers (Lynn, Cao, and Horn, 1996).

Effective reward and recognition process provides a clear and visible statement to all employees of the organizational values and the commitment to employee involvement. However, some writers like Deci, Koestner, and Ryan (1999) believe that motivation is an intrinsic property of human nature rather than behaviour to be instilled by management. According to Cascio (2010), performance management helps in defining what rewards employees will receive as guided by organizational goals. In the process of encouraging high performance it is important to provide sufficient number of rewards that are really valued by employees and in a timely fashion and fair manner.

1.2 Reward Management

Reward management is concerned with the formulation and implementation of strategies and policies, the purposes of which are to reward people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. It deals with the design, implementation and maintenance of reward systems that aim to meet the needs of both the organization and its stakeholders. Reward management also aims at supporting the development of a performance culture as well as the development of a positive employment relationship and psychological contract (Armstrong and Murlis, 2007). Effective reward management can help an organization to achieve its business objectives by attracting and retaining competent people and by acting as a pivotal control and incentive mechanism (Deeprose, 1994; Cascio, 2010).

1.3 Elements of a Total Reward Programme

Armstrong and Murlis (2007) suggest four main areas that should be addressed in a reward management system as pay structures, employee benefits, non-financial rewards and performance management.

The conceptual basis of total reward is that of configuration or ‘bundleing,’ so that different reward processes are interrelated, complementary and mutually reinforcing. The typical components of total reward which constitute the levers employers can actually resort to in order to motivate, engage and retain staff are, by and large, represented by four-quadrant diagrams describing and defining the transactional (pay and benefits) and relational (working environment, learning and development) factors of the model shown in Figure 1. The author developed a framework also identifying the individual (Financial reward, learning and development) and communal (benefits and working environment) components of the model (Armstrong, 2006; Longo, 2011).

![Figure 1: Model of Total Reward](source: Armstrong (2006))
1.4  Job Satisfaction
Job satisfaction is an individual’s attitude towards the job or an individual’s reaction to the job itself and, a positive emotional state that is experienced when a person fulfills his needs and aspirations. There are various theories of job satisfaction, the human relations movement which suggests that real satisfaction with a job could only be provided by allowing individuals enough responsibility and freedom to enable them to grow mentally while physical/economic school of thought emphasize the role of the physical arrangement of work, physical working conditions and pay. In recent years, the attitude of job satisfaction has come to be linked with broader approach to improve the job design, work organization and quality of work-life. The concept of motivation is often linked with job satisfaction and theories of motivation have often formed basis of models and measures of job satisfaction (Murlis, 1996).

Cascio (2010) argues that when the interests of employees and their organizations are aligned, then employees are likely to engage in behaviour that goes above the call of duty such as helping others achieve their goals. Whereas it is not recognized by the formal reward system, it contributes to organizational effectiveness.

1.5  Job Satisfaction and Employee Behaviour
Porter and Lawler (1968) suggest that job satisfaction and performance are not directly linked. Instead effective job performance leads to job related rewards, such as pay increases, promotions, or a sense of accomplishment. If the process of offering these rewards is perceived as fair, receiving these rewards leads to job satisfaction and also to higher performance levels (Cascio, 2010). This indicates the independence of job performance and job satisfaction and the role of job related rewards in linking the two variables. Job motivation and job satisfaction are derived from the perceived equitable relationship between the employee’s inputs to the job and the job outcomes. Job satisfaction could potentially be affected by factors such as complexity of jobs, perception of fairness or justice in pay. Allen (2013) adds that an individual is influenced by perceptions of expected effort required to achieve performance and by the value of the reward both absolutely and in relation to what peers have received for the same effort.

2. MATERIALS AND METHODS
The target population of this study was obtained from 13 banks in Nakuru Municipality. A sample of 108 including 17 top level managers, 33 middle level managers and 58 lower level employees was used for the study. The study was conducted using a descriptive survey design and results analyzed using inferential statistics. Correlation was used to show the relationship between job satisfaction and rewards while regression was used to determine whether the independent variables (financial rewards, benefits, work environment, learning and development) predict the dependent variable (job satisfaction). Correlation was also used to assess the effects of total reward on employee behaviour. The data was analyzed using Statistical Package for Social Sciences (SPSS). The analyzed data were presented in tables.

3. RESULTS AND DISCUSSION
Regressions and correlation t-tests were utilized to find further answers to the two research questions: What are the effects of rewards on job satisfaction among bank employees and, to what extent do rewards influence job performance, work withdrawal behaviours (absenteeism and lateness) and turnover intention among bank employees?

3.1 Effects of Total Reward on Job Satisfaction
Pearson moment correlation coefficient was computed to establish the strength of the relationship between total reward and job satisfaction. To explain this relationship, different elements of total reward (work environment, financial rewards, benefits, learning and development) and job satisfaction were correlated using factor analysis. The results are presented in Table 1.
The results in Table 1 show the relationship between work environment, financial rewards, benefits, learning and development and, job satisfaction. It was found that there is a significant negative relationship between learning and development and, job satisfaction ($r = -0.4772$). The relationship between financial rewards and job satisfaction is negative but insignificant ($r = -0.3009$). The correlation between benefits and job satisfaction was also found to be negative and insignificant ($r = -0.3080$).

It is notable that the relationship between job satisfaction and the independent variables is negative. This can be explained by the form of questions used to test job satisfaction, which were in the negative. The results therefore indicate that high scores of the independent variables (learning and development opportunities to employees, work environment, financial rewards and benefits) will lead to low scores on dissatisfaction at work. This implies that as total reward improves, job satisfaction also increases at a matching rate. Learning and development exhibited the strongest association with job satisfaction whilst financial rewards and benefits were moderate.

**Regression Analysis**

Factor analysis was employed to unearth underlying factors that illustrate relationships among set of interrelated items. Regression analysis was then used to find if there is a relationship between job satisfaction and total reward. The relationship between total reward including work environment, financial rewards, benefits, learning and development and, job satisfaction is negative. This is also a result of the negative questions seeking opinion on job satisfaction. These results therefore, should not be interpreted literally that an increase in each of the elements of total rewards results in a decrease in job satisfaction but rather, that it leads to a reduction in chances of not being satisfied with work. The results are presented in Table 2.

Model 1 represents regression results for all independent variables. Model 2 represents work environment, financial rewards and benefits and, Model 3 represents work environment, benefits, learning and development.

The results for Model 1 indicate that learning and development is a strong predictor of job satisfaction whilst Model 2 and Model 3 project benefits as the next best predictor of employees’ attitude to work and rewards. Findings show that if you improve benefits, learning and development, dissatisfaction declines while on the other hand satisfaction improves.
The findings of this study are in agreement with the findings of Muhammed et al., (2010) which indicate that there is a positive and significant relationship between job satisfaction and rewards and the conclusion that satisfaction is positively and significantly related with extrinsic rewards but less with intrinsic reward. The study also concur with the suggestions of Armstrong and Murlis (2007) that employee benefits yield commitment of employees, provide for actual or perceived personal needs of employees and demonstrates the organization’s care for its employees. The authors add that the availability of promotional and learning opportunities, selection of individuals for high prestige training courses and programmes and the emphasis placed by the organization on the acquisition of new skills as well as the enhancement of existing ones, can be powerful motivators which eventually lead to job satisfaction.

3.2 Extent to which Rewards Influence Absenteeism, Lateness, Job Performance and Turnover Intentions of Bank Employees

The study also sought to find the effect of rewards on job satisfaction as guided by the question asking the extent to which rewards influence employee behaviour in form of job performance, lateness, absenteeism and turnover intention. To answer this question, the study measured job satisfaction by assessing the attitude of the participants towards their jobs and fulfillment of expectations from the job. Such attitudes can be either constructive or destructive and the outcomes include high job performance, absenteeism, lateness and turnover. Correlation analysis was used to further assess the effects of total reward on absenteeism, lateness and job performance as indicators of job satisfaction.

Table 3: Correlation Results for Effects of Rewards on Absenteeism, Lateness and Job Performance

<table>
<thead>
<tr>
<th></th>
<th>Job Performance</th>
<th>Absenteeism and Lateness</th>
<th>Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho Correlation Coefficient</td>
<td>1.000</td>
<td>-.401**</td>
<td>.680**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Absenteeism and Lateness Correlation Coefficient</td>
<td>-.401**</td>
<td>1.000</td>
<td>-.419**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
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<tr>
<td>Rewards Correlation Coefficient</td>
<td>.680**</td>
<td>-.419**</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
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**. Significance level at the 0.01 level (2-tailed), n = 108, P = 0.00, rho - Correlation Coefficient

As shown Table 3, respondents who exhibited tendency toward job performance did at the same time show less tendency for absenteeism and lateness (r = -.401), this relationship is negative and significant. On the other hand, the correlation between performance and total rewards is positive and significant (r = .680). It is intuitive to learn that absenteeism and lateness correlated negatively with the total rewards system (r = -.419), this is also significant.

It is concluded that absenteeism and lateness have a negative relationship with rewards and performance meaning that individuals who score high in performance and rewards will have low scores in work withdrawal behaviours (absenteeism and lateness). The findings of the study therefore, reinforces the suggestion of Cascio (2010) that there is a relationship between attitude and behaviour and that rewards contribute to certain psychological states, which lead to important personal and work outcomes such as high quality work performance, low absenteeism and turnover. The results imply that organizations which offer satisfactory rewards can reduce absenteeism, lateness, turnover intention whilst improving job performance. As Armstrong (2006) puts it, a good reward systems increases attendance and reduces turnover. The author adds that high performance can be achieved by among other factors, rewarding workers by financial and non-financial means when they do perform.

4. DISCUSSION OF RESULTS

Summary, conclusion and recommendations were made based on results of the study in relation to the objectives which were: To determine the effects of total reward (financial rewards, benefits, work environment, learning and development) job satisfaction among bank employees and to investigate the extent to which rewards influence absenteeism, lateness, turnover intention and performance among bank employees.

It was found that the relationship between benefits, learning and development and, job satisfaction is negative and significant. The negative relationship between total reward and job satisfaction can be explained by the negative framing of questions on job satisfaction and thus the negative relationship. Total reward therefore leads to reduction in chances of not being satisfied with work and its outcomes. This implies that an improvement of total reward results in a higher job satisfaction as well as a drop in job dissatisfaction.

Learning and development, the strongest predictor of job satisfaction in the banking sector involves training, promotion as well as career development. It was found that learning and development explains 0.47% variation in job satisfaction. It was further established that banks are effective in their training, career
development and promotion processes and thus employees are generally satisfied with the programmes. Results imply that banks should focus more on improving learning and development of its employees.

The results from regression show that benefits explain 0.21% variation in job satisfaction. Respondents are specifically happy with family, health, education and retirement benefits. However enhancement of some benefits to better suit employees’ needs was required. Such benefits include leave arrangement.

The study found that the relationship between rewards and work withdrawal behavior (lateness and absenteeism) is negative meaning that appealing rewards enhance job satisfaction and thus reducing chances of withdrawal from work in the form of lateness, casual absenteeism and sluggishness. If persistent problems are not solved, affected employees may decide to quit. Findings of the study confirmed that rewards and job performance have a strong positive correlation. From the descriptive analysis, it is concluded that better rewards may dictate the employees’ desire to continue working with the organization, aim for higher performance level and follow work schedules depending on the value attached.

5. CONCLUSION AND RECOMMENDATION

Job satisfaction among bank employees is influenced by various elements of total reward. The most significant elements in enhancing job satisfaction in the banking sector are benefits, learning and development.

In general, employees in the banking sector are appreciative for most of the rewards. This is important because in their effort to cut down labour cost, more non-financial rewards for instance recognition could be administered to lower demand for higher salaries. Intrinsic motivation which is concerned with work life balance is likely to have a deeper and longer-term effect because they are inherent in individuals and not imposed from outside like pay and promotion among others. Rewards are significant in reducing lateness, absenteeism, turnover intention whilst increasing job performance. A well managed reward system will therefore, motivate employees to work beyond their call of duty and this is what is required in a business environment where set targets need not to be the end point of service. An organization that offers rewards that are valued is more assured to earn the benefits of a unique workforce which cannot be easily imitated by rivals in business.

Recommendations towards establishment of an improved reward system were made based on the conclusion. Employees expect return for their contribution while employers expect from their employees return for their pay and this forms the starting point of reward. Therefore, balance should be ensured when designing rewards so that each party attains majority of their expectations in terms of ability to pay and value for money for employers and employees respectively.

The level of job satisfaction of employees will to a great extent determine the position of an organization in the market, since employees who are innovative, creative and productive are a source of competitive advantage. Banks should therefore put in place reward strategies that are capable of attracting the right quality of employees, maintaining them by providing their needs and obtaining maximum effort towards organizational goals. A good reward strategy is one that is looked at holistically within the company’s framework with all pay components aligned so as to complement one another. Suggested ways of advancing payment systems in banks include matching payment with the cost of living, presence of fairness and equity in distribution of pay, basing payment on individual effort and contribution to organizational goals and compensatory pay for overtime worked. This implies combining both financial and non-financial rewards, rewarding employees based on their contribution to organizational goals and encouraging productivity, effectiveness and efficiency through incentive programs. Future researcher should be undertaken to establish the effects of one’s maladjustment to the workplace, personal attribute and emotions on job satisfaction.

REFERENCES


