Incentives and Employee Performance

Dr. Seema Singh Rathore[1] Ms. Shikha Pareek[2]
[1]Senior Assistant Professor [2]Research Scholar
[1]Department of Human Resource Management [2]Department of Management
[1,2]ICG, The IIS University, Jaipur

Abstract— The purpose of the paper is to explore what effect does the incentives either financial or non-financial create on employee performance. The ways in which employees are appreciated can make a substantial impact on the efficacy of the organization, and is at the compassion of the employment liaison. The rationale of this article is to review previous theories and previous researches concerning the relationship between incentives and employee performance. The compilation and integration of the previous researches reveal how incentives affect the employee performance.

Key words: Monetary Incentives, Financial Incentives, Non-Monetary Incentives, Non-Financial Incentives, Employee Performance, Incentives

I. INTRODUCTION

Money plays a vital part in encouraging workforce to work efficiently and truly monetary reward does make up extremely essential cause for the effective working of the workforce. But monetary reward alone cannot get the work satisfaction to the employees. One cannot anticipate efficient outcome from an employee who is displeased with his work, yet if he is being paid well. Many Sociologists and industrial psychologists also have the view that the pecuniary facet is not only dominant motivating force. Therefore the contemporary establishments on management science have accepted the want for the stipulation of incentives to construct up good self-esteem.

Supervisors are continuously probing for ways to generate an inspirational atmosphere where employees to perform at their best levels to achieve organizational objectives. Organizational motivators comprise of both financial and non-financial incentives. Encouraging human resources can be a difficult task for any business possessor or supervisor. In several businesses, financial rewards are adequate to obtain the most out of the workforce; at the same time in other businesses another types of incentives may be more successful. Dissimilarities between financial and non-financial motivators are easy to differentiate, in some respects, but their effects on workers performance can be to some extent more complex to determine.

The purpose of financial incentives is to recompense employees for admirable job presentation through money. Financial incentives comprise of profit sharing, project bonuses, stock options and warrants, scheduled bonuses (e.g., Christmas and performance-linked), and additional paid vacation time. Traditionally, these have helped maintain a positive motivational environment for associates (Kepner, 2001).

The purpose of non-financial incentives is to recompense employees for outstanding job presentation through opportunities. Non-monetary incentives contain training, flexible work hours, pleasant work environment.

Rashmi Joshi stated that a reward system which recognizes an individual's contribution through appropriate compensation, awards, progression and succession planning invariably boosts up employee morale. The PMS and the culture of the organization is reflected through the reward system prevalent in the organization. Hence, a proper reward system needs to be contemplated upon, articulated to the employees and implemented with consistency, and also opined that A good PMS has an employee development as the focal point. Businesses across the world are recognizing the fact that the employees are an organization's invaluable assets, if they looked after well with rewards and recognition and their needs to be fulfilled, they will contribute towards organizational development.

M. Subramanya and D Anand also agreed that in order to compete, the organizations need to strike a balance between performance and genuine concern for the employee. To keep an employee happy and productive, an appropriate reward strategy should be used as a tool to attract and retain talents, build workforce capability and drive performance. To enable the employee to get due recognition, performance based compensation should be encouraged, instead of seniority based compensation. In addition merit based pay, spot bonuses, yearend bonuses, stock options and the like must form the part of compensation plans for the best performers. This is perceived as one of the key success factors of today's organizations.

The employee in exchange of their commitment, expect certain extrinsic rewards in the form of performance – based promotions and pay, fringe benefits, perquisites, bonuses, and/or stock options. Employees also seek intrinsic rewards such as senses of competence, achievement responsibility, significance, influence, personal growth and meaningful contribution.

From the organization's perspective, rewards help attract and retain employees, facilitate satisfaction and commitment and ultimately enhance employee's motivation to enhance their work performance. Apart from keeping employees alive and at work rewards give a sense of being valued and bestow a social status on them.

D Christopher Amrutham says that all the business exists in highly volatile conditions and all these conditions have an impact on the performance of the employees. These conditions over a decade have prompted the organizations to ensure the recruitment and retention of better quality workforce for better performance. As a remedy to this problem, many organizations opted to offer better salaries and other monetary benefits. But this doesn't prove to be a stable solution over a long time. Therefore the organizations turned to adopt wider reward mechanisms wherein they can include compensation benefits, work life balance, performance improvement and recognition, career development opportunities, etc to their strategic advantage.

II. MONETARY INCENTIVES AND PERFORMANCE

Sarah et all stated that financial incentives often are recommended as a means for fascinating and getting better performance out of the employees. The primary purpose is to offer a theoretical scaffold for understanding the effects of (performance-contingent) financial inducements on individual work and performance centre is on explicating the inspirational and cognitive machinery by which financial incentives are supposed to augment performance. Notionally, financial incentives work by escalating attempt which, consecutively leads to augmentation in performance.

Many theories, evidence, and a framework for understanding the effects of financial incentives on work and task performance are offered. They first described the fundamental incentives– effort and effort–performance relations and the four dimensions of effort that monetary incentives theoretically are posited to affect: direction, duration, intensity, and strategy development. And then discuss psychological and economic theories that explicate the incentives-effort link.

ABUBAKAR conducted a research in Nigerian bank, argued that Money plays a significant task in inspiring workforce to work efficiently Pecuniary enticement lean to draw Nigerian personnel more than the non-pecuniary ones. Proficient and high developed pecuniary methods are indispensable to a strong economy. The performance of Nigerian banks could be connected to the type of workers' fiscal inspiration methods executed in the banks. This is for the reason that in Nigeria today, remunerations and payments are used as inspirational instrument for augmenting the performance, efficiency, and accomplishments of goals and objectives in both private and public associations. In current times, the incentive method such as bonus plan, profit sharing, merit rating, psychosomatic impetus, promotion, fringe benefits, societal incentives and remuneration have been initiated as improved methods of encouraging people at work for utmost efficiency.

Heneman et al concluded that the plan of using financial aspects as enticements for human resources to work well is not a novel one; there are accounts of some compensation systems being functional long time ago as far back as the seventeenth century. Amongst the pioneers is Professor Roll who first launched inducement system by bringing in compensation by outcome. Both Jenkins et al (1998) and Honeywell-Johnson & Dickinson (1999) found that paying remunerations at all stages with a rational bonus scheme and reassuring staff involvement in organizational events is a high motivating process for higher output.

Abubakar further stated that pecuniary enticements are more or less the key stirring feature in the Nigerian banking sector and financial incentives and stimulus have a noteworthy impact on the effectiveness.

Saba Saleem equally agreed that now a day attracting and retaining talented employees is a crest priority for any organization because talented employees positively impact on the performance of organizations. Financial incentives and rewards positively affect on employees commitment or loyalty. Therefore it is important for the organization to maintain the relationship with employees in such manners which increase their loyalty with the organization which ultimately affect the employee performance in positive way. High level of employee job performance is positively associated with the financial incentives. There is an association between financial incentives and employee loyalty, thus, augmentation in financial incentives such as promotion and bonuses enhanced worker's devotion which increases the work efficiency and reduces employee turnover (Gerhart & Rynes, 2003) and human resources can simply be faithful when their requirements are fulfilled by administrators of organizations (Maslow, 1954:122).

Igbaekemem Goddy opined that today one of the major problems facing most employers in both public and private sector is how to encourage their human resources in order to get better performance. This is very comprehensible that motivation is the means to increase efficiency, but there is no apparent reply to the query of how to encourage. Wealth is a facet to motivating people, to hold high-quality employees and to persuade them to bestow their most excellent while at job calls for the consideration to the monetary rewards presented by the organization as an uninterrupted exercise. It is a well known fact that behavior of any person is strongly concealed and exceptional, however organizations tend to use the same policies to the needs of individual is difficult but far more effective. If superiors in an association can generate and maintain an atmosphere in which entire workforce is motivated, the performance on the whole is sure to be good.

Economics is largely based on the assumption that monetary incentives improve performance. It is generally believed that effect of monetary incentives is unambiguously positive a large monetary incentive improves employee performance. People in various works of life are faced with financial problems, not only is the financially life affected, it also affect productivity on the job. A worker with financial problems experiences lack of concentration which could result in poor quality and quantity of work .Kootz(2005), states that money can never be overlooked as a motivator, whether in the form of wages or any incentive pay. Money is often more than monetary value; it can also mean status or power.

III. NON-MONETARY INCENTIVES AND PERFORMANCE

Dr D. B. Rane Has revealed that Employee job satisfaction is essential to face the dynamic and ever-increasing challenges of maintaining productivity of the organization by keeping their workforce constantly engaged and motivated. This article explains the importance of employee job satisfaction and the possible ways to enhance their performance on a sustainable basis in the organization. Human capital in any organization is its greatest asset and this asset should not be compromised during times of economic disorder. The improvement in performance of workers, machinery, quality of products and increase in output are the responsibilities of the leaders of the organization which is essential to create high level of satisfaction among the employees. The motivation of the employees within the organization can be improved by taking following positive steps: Positive work culture, appreciation rewards recognition, employee's participation, improve worker's skills and potential, reduce employee stressors, encourage flexible work schedule etc.

He further stated that to attain the targeted objectives on a sustainable foundation, the job satisfaction of workforce in any association is of utmost significance. It is found that complimentary canteen food and bendable schedules are not adequate but the high job satisfaction is strongly associated to the feelings of competence on the work. In the same way, it can only be reached successfully by encouragement of unadulterated self confidence of the workforce. Such greatly contented workers in due course show astonishing fidelity for mission, vision and passion for their work

Kevin Johnson also agreed that the non- monetary expression is the best way of appreciation during the tight business budget situations to retain the top talent and boost employee performance. In fact, a number of personnel stipulate some of the non-pecuniary rewards that put together the job more pleasurable and gratifying. By trying these items to performance and longevity, managers not only save money, but contribute to employee job satisfaction which leads to better performance.

Recognition- Personnel react optimistically to public recognition in the place of work.

Contribution- Even if a promotion or raise is not possible the employees can be asked to head a project or chair a session which will create in the employee that he is contributing to the company

Independence- Employees who have proven themselves can be rewarded with autonomy and the trust of employer in themselves.

Flexibility- Formerly a member of staff has verified the capacity to convene targets and carry out responsibilities on his own timetable he can be rewarded by permitting a flexible schedule.

In this way in low budget conditions also the employees can be motivated to perform better by providing them with non-monetary rewards and recognition.

Wilfred Uronu Lameck stated in the article conducted at police head quarters in Tanzania that motivation seems to be one of the most important tools of managing employee performance. Organizations design motivation systems to encourage employees to perform in the most effective way but also to attract potential candidates. The non monetary rewards available at TPF HQ includes promotion, appreciation certificates, writing or verbal thanks, tour offering, medals awards, health services, housing facilities, training scholarship, good working conditions, gift offering and recognition, tour offering, assignments abroad, responsibility and training. According to the analysis of responses, non-monetary incentives are valued highly by the employees, even in the absence of monetary incentives Most of the responses indicated that the employees are quite positive towards the use of non monetary incentives in the workplace and can be effective in motivating them as a complement to monetary incentives

C Vasudevan, also that agreed that there is a clear cut, direct and transparent relationship between Performance management and motivation, as the reward system is based on the performance of the employee and the organization, which is the major motivating factor in the organizational settings as postulated in all motivational theories either as need satisfaction or as expectancy and equity.

A case study conducted at Microsoft a US based company examined the employee motivation and retention strategy and revealed that Microsoft has started offering several benefits to its employees including giving discount on hybrid cars, providing local foods at Microsoft's cafeteria, providing a free dry service, like child care and tuition benefits etc, which helped in boosting the employee performance and the employee attrition rate went down.

Kyle Luthans opined that, in general, there are two basic types of rewards that leaders can utilize to positively reinforce performance-enhancing behaviours. The first is money. Certainly pay plays an integral part in rewarding employees and reinforcing positive behaviours but this second type of reward can be very effective and efficient because it doesn't cost anything, is available for everyone to use and no one gets too much of it. Recognition is very unproblematic to make and not at all expensive to allocate that there is merely no pretext for not doing it (Rosabeth Moss Kanter). Recognition should be immediate, delivered personally, valuable. The data indicated that employees place a high value on personalized, specific, and instant social rewards such as attention, recognition, and sincere appreciation. The data also revealed a preference for recognition based upon efforts which contribute to organizational success - not false praise or automatic length of service recognition.

At the time of selecting incentives, organisations have to take into account the personnel for whom the incentives are generated. Deciding a good stability among non- pecuniary and pecuniary incentives must result in an additional pleasing program to address the varied comforts and wants of workforce.

Nelson (1995) presented a good check of several features which distinguish an effectual employee recognition program as follows.

– Recognition should be immediate.
– Recognition should be delivered personally.
– Recognition should be delivered personally.
– Recognition should be a direct reinforce to desired behavior.

Luthans concluded his study by revealing that there is a preference for recognition based upon efforts which contribute to organizational success - not false praise or automatic length of service recognition.

As leaders continue to look for ways to meet the productivity, motivation, and retention challenges of today's organizations, the increased recognition of their human resources must be of primary importance.

A Guide to Appreciating and Recognizing Staff from York University has suggested some inexpensive and creating ways to appreciate employees includes the following:

– Posting a thank you note on employee's door or table.
– Greeting the employees by names.
– Don't forget to give credit to a group or employee if you are discussing their idea with other people, peers or top management.
– Recognize employee's personal needs and challenges.

– Recognize individual accomplishments by using people's names when preparing status reports. Etc.

The guide also suggested that recognition is powerful, effective and inexpensive tool but it is used too little in business. Recognition of effort, involvement, ethical behaviour and commitment is compulsory. The praise should be specific and detailed, and a particular thing should be mentioned while recognising the work of an employee.

Wilfred Uronu in a case study suggested that Motivation is one of the most important tools of managing employee performance. Organizations design motivation systems to encourage employees to perform in the most effective way but also to attract potential candidates includes promotion, appreciation certificates, writing or verbal thanks, tour offering, medals awards, health services, housing facilities, training scholarship, good working conditions, gift offering and recognition, tour offering, assignments abroad, responsibility and training. Most of the responses of the case studied reflected that the employees are quite positive towards the use of non-monetary incentives in the place of work and non-financial inducement can be successful in motivating them as a complement to monetary incentives.

Dr, Farooq et al conducted a research to find out the relationship between non monetary incentives, job satisfaction and employee performance and concluded that there is a positive relationship between non monetary incentives, job satisfaction and employee performance. Job performance is a dependent variable of the other two.

Neelam Bari et al stated that if good response, liberty, career expansion programs, consideration of workforce, learning programs, open & relaxing atmosphere and healthy rapport with managers are offered to the personnel, they show positive attitude towards the workplace which ultimately leads to increased efficiency and healthy atmosphere at the place of work which will heap on the effectiveness of organization.

IV. Conclusion

Based on previous research results, one can conclude that as it has been said by various researchers, that monetary incentives alone are not sufficient to motivate employees. Also that a maximum of both monetary and non-monetary incentive should be applied and like the saying goes "variety is the spice of life". Pecuniary and non- pecuniary incentives differ in their functions, efficacy and correctness. A steadiness between financial and non-financial rewards should be used to please the varied desires and interest of employees. Motivation is a complex and individualistic concept and as such there is no best approach to it. The research shows that monetary incentives alone are not sufficient to motivate employees. Pay is important since it affords the provision of the basic necessities of life, but is most important for what it symbolizes to the recipient for money to be used as a motivational tool, managers must article their associates, the conditions under which they work and the task they perform. The value of incentives is determined by what people learn to associate with. According to Imoisili, high achiever do not work for the prospects of making money alone they are motivated by the love of accomplishment, interest in their work and by success itself. However, low achievers will often work for money because it symbolizes something they clearly want.

It is noticeable that system of financial and non-financial rewards to develop the job satisfaction among the employees has to be taken on by the organization depending on the existing state of affairs.

While choosing incentives, business institutions and organisations must take into account the workforce for whom the rewards are constructed. Deciding a good equilibrium among non- pecuniary and pecuniary enticements should result in a additional pleasing program to concentrate on the assorted interests and requirements of the workforce.

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