



IMPACT OF NON-MONETARY COMPENSATION ON EMPLOYEE PERFORMANCE (A STUDY OF BIDA LOCAL GOVERNMENT COUNCIL)

AYODELE, CHURCHILL; & IDAOMI, OLORUNFEMI TAIYE,

Department of Business Administration and Management, School of Business Administration and Management, the Federal Polytechnic, Bida, Niger State

Abstract

Non-monetary compensations offer employee autonomy and personal recognition, pleasant work environment, flexible work hours, training, new and challenging opportunities, and allowances. These incentives are sometimes called rewards, as they meet the employee's internal needs. Hence, the present study examined two major non-monetary reward system variables (recognition and pleasant work environment) as antecedents of employee performance (quality of work and quantity of work). The population comprised 646 staff of Bida local government council. The researcher chose to adopt the simple random sampling method i.e. by selecting some respondents among the entire staff of Bida local government thereby giving all the element of the population an equal opportunity of being selected. For the purpose of this study, determining the sample size is most importantly dependent on the total population of Bida local government and the researcher has selected the (100) to constitute the sample size because of the subject of this study. The 100 questionnaires administered and returned were used for analysis with the aid of statistical packages for social sciences (SPSS). Results demonstrate that recognition does not have a positive relationship quality of work at Bida local government secretariat and also, a pleasant work environment does not have positive relationship with quantity of work at Bida local government secretariat. In conclusion, the analysis above showed that recognition and quality of work are not significantly related in while pleasant work environment and quantity of work are not positively related. This study recommends that Bida local government council should establish recognition as a widely applied practice and make it be part of the organization culture. Also, the council management also needs to work on making sure environment is spacious enough to allow working without strain for the employees

Keywords: *Recognition, pleasant working environment, employee performances*

Introduction

Non-monetary incentives promote employees' excellent job performance through opportunities (Nelson, 2015). Non-monetary incentives and rewards offer employee autonomy and personal recognition, pleasant work environment, flexible work hours, training, new and challenging opportunities, allowances such as free telephone calls, free fuel, fringe benefits such as leave i.e extra days off for excellent employees, pension, free lunch, health insurance. These incentives are sometimes called rewards, as they meet the employee's internal needs such as recognition, self-esteem and fulfilment, thereby influencing employee motivation.

Therefore, for non-monetary incentives to be effective in Nigeria's public sector, the employees must be paid satisfying wage levels to compensate for their desire for monetary incentives at the work place. They need good salaries to be able to afford the basic needs which include food, shelter and clothing. If employees strain to fulfil the physiological needs, it would be difficult for them to appreciate non-monetary rewards as needs are fulfilled from the most primary/basic (physiological needs) to the secondary needs on the Maslow's hierarchy.

Successful and profitable management of business operations is the fundamental objective of any business enterprise. Literature and studies on human resource management have always and continue to emphasize the importance of motivational programs including rewards and recognition, towards moulding a productive workforce, competitiveness, and employee loyalty (Zefar, 2014).

Robbins (2014) stated that employees have different needs, some have financial goals, others have professional goals, and others have personal goals. Therefore same incentives cannot apply to all employees as they all are at different stages of their lives and this call for different management styles. If managers had a clue on what the employees really need to be motivated, then we would have a happy workforce and companies would generally benefit from this as it would eventually reflect on the output. It would as well reduce employee turnover which is costly as companies lose talented and experienced employees and spend millions in fresh recruitment, training and development of new staff. Such costs can only be avoided if employers motivate their staff so that their employees remain loyal to their respective companies for mutual benefit in that employees are able to achieve their own goals as well as the company goals. Herzberg (1998) argued that, for an employee to be truly motivated, the employee's job has to be fully enriched where the employee has the opportunity for achievement and recognition, stimulation, responsibility, and advancement. Herzberg outlined that employees to be motivated,

they must be given personal responsibility of the output of their tasks as this gives them the drive to work hard to achieve their goals.

From this research we realize that non-monetary incentives are only effective when money is not an issue.

Research problem

Many researchers have done research on employee motivation, monetary rewards, and few on non-monetary rewards. There is a gap in which past researchers do not link the employee reward preferences in relation to their specific needs and organization levels. This study will focus on the use of non-monetary rewards as a motivational tool to boost employees' job performance base on the employee levels and needs so that effectiveness is achieved by identifying the suitable employee rewards and incentives that satisfy their varying needs at various organizational levels.

It is emphasized that employees need for recognition, self-respect, growth, meaningful work, and social activities are as important as monetary incentives in increasing employee morale and performance (Uzonna, 2014). There are many contemporary research studies focusing on non-monetary rewards as a motivational tool in the private sector. This study will help narrow the gap on employee motivation explore the potential of non-monetary compensation for employees working at different levels at Bida local government council.

Research Objectives

- i. To determine the degree of relationship between the employee recognition and quality of work at Bida local government Area secretariat.
- ii. To examine the relationship between pleasant working environment and quantity of work at Bida local government Area secretariat.

Research Hypotheses

- i. There is no relationship between employee recognition and quality of work at Bida local government Area secretariat.
- ii. There is no relationship between pleasant working environment and quantity of work at Bida local government Area secretariat.

Conceptual Framework

The figure 1 illustrates the effects of non-monetary rewards on employee job performance (dependent variables). The considered non-monetary rewards (independent variables) are employee recognition and pleasant working

environment. When these rewards are present, employee motivation is also high, whereas when these rewards are ineffective, the job outputs are also low.

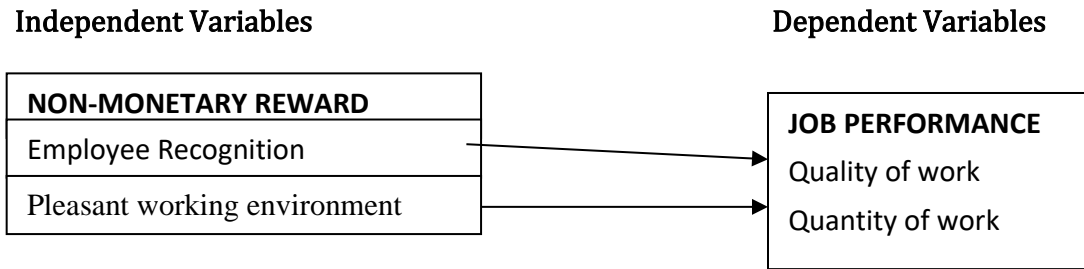


Figure 1: Employee job performance measured by availability of non-monetary rewards

Empirical Framework

A study conducted in South Africa to determine the impact of monetary and non-monetary rewards on motivation among lower level employees in selected retail shops

The above study was conducted by Harunavamwe and Kanengoni (2013) used descriptive analysis in SA to determining the impact of monetary and non-monetary rewards on motivation among lower level employees. The study revealed that businesses use lots of funds on employee motivation which does not yield positive results due to the different perceptions between management and subordinates. According to Robbins (2014) one of the most challenging matters is determining what motivates the low level employees who work for very low wages and have little opportunity to increase their earnings in their current jobs or through promotions due to limited education and skills. Yet, it is important to find ways to reduce turnover and boredom amongst these employees by implementing the right and effective motivation systems. Harunavamwe and Kanengoni (2013) found that non-monetary rewards attract persons with a high need for affiliation through verbal recognition and high achievers through challenging jobs. There was no significant effect of monetary rewards on employee motivation. Employee recognition emerged as the best motivation for lower level employees. Theorists therefore outline that the value of employee recognition, challenging jobs, cohesive work teams, and other non-monetary factors as stimulants to motivation and therefore should never be left out when addressing the subject of employee motivation.

A study conducted in Cyprus on the impact of motivation on employees. A case study of Credit West Bank Cyprus

Uzonna (2013) used frequency analysis, descriptive analysis, rank method, mean analysis, principle component analysis and Cronbach’s Alpha reliability analysis in

determining the impact of motivation on employees. He wanted to find out what prompts employees, what influences them, and why they tend to act in a particular way. His findings revealed that most employees i.e 50% preferred to be recognized when they achieve their tasks by being offered a higher position; 20% of the employees preferred cash rewards; 24% preferred nothing, both, or all the above; while 6% preferred to be recognized by being offered more responsibility. According to Uzonna (2013), one of the most effective ways to motivate employees is to ensure that they understand and appreciate the aims and goals of the company they work for. Managers need to support their teams by as they work towards achievement of these goals. This can be done through team building, enhanced communication in such a way that employees clearly understand the company objectives and the importance of feedback, realistic targets to work towards rewards and incentives so that the team feels valuable for positive contribution they make towards achieving goals, and job enrichment which is to build into jobs a higher sense of challenge and achievement. Job enrichment can be done by giving employees the freedom to participate in decision making, giving workers a sense of responsibility, and taking steps to make sure employees see how their efforts contribute to the final products and company goals. It emerged evident that the use of non-monetary rewards can be effective and less costly way of motivating staff as opposed to monetary rewards and this project will focus on this aspect and the effects on performance.

A study conducted in Nigeria on motivation and employees performance in public and private sectors

Chukwudi (2012) examined motivation and employee performance in private and public sectors in Nigeria. Chukwudi used qualitative analysis techniques in collecting and analyzing data and concluded that there is no perfect solution to employee job satisfaction due differences in employee preferences and priorities and therefore employers can only boost performance by putting in place motivation factors that need to be highly emphasized to ensure organizational progress.

Such factors include providing job training opportunities, open and effective communication channels, and conducive working environment among other factors. When motivation is high, employees perform at their best hence high output. Chukwudi, (2012) having done the research indicated that in such cultures with desirable levels of motivation; employees always focus on doing their best; they enjoy their jobs and perform their tasks well. Managers should strive to capture the best operating practices within the industries in which they operate in so that they provide quality and safe working environment as well as encouraging employees to always concentrate on continuous improvement. Chukwudi recommended that organizations should also strive to provide good pay base for employees, pay that is competitive and enticing; and ensure pay increments for those who improve their skills by enrolling for higher education and those that have been added more

responsibilities as a way of motivating them to work harder for excellent performance.

Research Methodology

Data were collected from both primary and secondary sources. Primary data were collected from the workers of Bida local government of Niger State using survey questionnaire, while the analysis of such data was conducted using descriptive (frequency and percentage) and inferential (Chi Square) statistics.

Related journals were reviewed as the source of information from which the researchers formulated the questionnaire, which consisted only closed-end questions.

The sample of this research is calculated by using Taro Yamane (Yamane, 1973) formula with 95% confidence level.

The calculation formula of Taro Yamane is presented as follows.

$$n = \frac{N}{1 + Ne^2}$$

Where n= Sample Size Sought

N= Population Size

E= Level of Significant Chosen (5%)

Where :

n= sample size required

N = number of people in the population

e = allowable error (%)

$$n = \frac{646}{1 + 646(0.05)^2}$$

$$n = \frac{646}{1 + 646(0.0025)}$$

$$n = \frac{646}{1+1.615}$$

$$n = \frac{646}{2.615}$$

$$n = \underline{247}$$

However, the researchers administered 247 questionnaires in which 226 were duly filled and returned by the respondents. Therefore, our sample size is 226

Test of Hypothesis

Hypothesis One:

H₁: Recognition does not have positive relationship with quality of work

Correlations			
		C ₁	RG ₁
C ₂	Pearson Correlation	1	.268**
	Sig. (2-tailed)		.007
	N	100	100
RG ₂	Pearson Correlation	.268**	1
	Sig. (2-tailed)	.007	
	N	100	100

****.** Correlation is significant at the 0.01 level (2-tailed).

Model Summary				
Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.268 ^a	.072	.062	.366

a. Predictors: (Constant), Quality of work

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.015	1	1.015	7.599	.007 ^b
	Residual	13.095	98	.134		
	Total	14.110	99			

a. Dependent Variable: Quality of work
b. Predictors: (Constant), Recognition

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.770	.150		5.151	.000
	Quality of work	.230	.083	.268	2.757	.007

a. Dependent Variable: Quality of work

Interpretation of Result:

$$RG = 0.770 + 0.230C$$

Where; QW= Quality of work

R = Recognition

$$R = 0.268, R^2 = 0.072, t = 5.151$$

$$F = 7.599 \text{ (sig. = 0.007)}$$

Based on the result, the regression sum of squares (1.015) is less than the residual

sum of squares (13.095) which indicates that less of the variation in the dependent variable is explained by the model. The significant value of the F statistics (0.007) is less than 0.05; this also means that the variation explained by the model is not just by chance but statistically significant.

R tests the correlation coefficient, which has a value of 0.268 and indicates that there is a strong relationship between recognition and quality of work. R square also test the coefficient of determination and shows that 7.2% of the variation in the dependent variable is explained by the model

Using a linear regression model, the error of estimate is low, with a value of about 0.366 and with a constant of 0.770, the relationship between recognition and quality of work is positive and statistically significant as $t = 5.151$

Based on this, we therefore at 5% level of significance reject the Null Hypothesis (H_0) and accept the Alternate Hypothesis (H_1) accordingly.

Hence: Recognition does not have a positive relationship quality of work at Bida local government secretariat

Hypothesis two:

There is no relationship between pleasant working environment and quantity of work at Federal Polytechnic, Bida

Correlations			
		N ₁	RG ₁
N ₂	Pearson Correlation	1	-.242*
	Sig. (2-tailed)		.015
	N	100	100
RG ₂	Pearson Correlation	-.242*	1
	Sig. (2-tailed)	.015	
	N	100	100

*. Correlation is significant at the 0.05 level (2-tailed).

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.242 ^a	.059	.049	.461

a. Predictors: (Constant), Pleasant working environment

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.296	1	1.296	6.102	.015 ^b
	Residual	20.814	98	.212		
	Total	22.110	99			

a. Dependent Variable: Quantity of work
b. Predictors: (Constant), Pleasant working environment

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.582	.112		14.132	.000
	Pleasant working environment	-.180	.073	-.242	-2.470	.015

a. Dependent Variable: Quantity of work.

Interpretation of Result:

$$RG = 1.582 + 0.180N$$

Where; QW= Quantity of Work

WE = Working Environment

$$R = 0.242, R^2 = 0.059, t = 14.132$$

$$F = 6.102 \text{ (sig. = 0.015)}$$

Based on the result, the regression sum of squares (1.296) is less than the residual sum of squares (20.814) which indicates that less of the variation in the dependent variable is explained by the model. The significant value of the F statistics (0.015) is less than 0.05; this also means that the variation explained by the model is not just by chance but statistically significant.

R tests the correlation coefficient, which has a value of 0.242 and indicates that there is a relationship between pleasant working environments. R square also test the coefficient of determination and shows that 5.9% of the variation in the dependent variable is explained by the model.

Using a linear regression model, the error of estimate is low, with a value of about 0.461 and with a constant of 1.582, the relationship between pleasant working environments and quantity of work is positive and statistically significant as $t = 14.132$

Based on this, we therefore at 5% level of significance reject the Null Hypothesis (H0) and accept the Alternate Hypothesis (H1) accordingly.

Hence: A pleasant work environment does not have positive relationship with quantity of work at Bida local government secretariat.

Summary of finding

The study revealed that employee recognition is rarely practiced at Bida local government secretariat and this affects employee performance and generally the organizational performance. Employees think that there is a big gap in the degree of utilization of employee recognition as a motivational tool. From the findings, employees said that they would want to be recognized.

It was found that there are no pleasant office accommodations suitable for working environment at Bida local government secretariat

The study also revealed that there is no 24 Hrs. stable electricity supplies at Bida local government secretariat

Conclusion

According to the research, it is evident that employee recognition; rewards and incentives greatly affect job performance in an organization and have a great impact on employee performance. Employees desire to be recognized; they value career growth as it boosts employees especially for promotions; and the employees also long for rewards and incentives. Also, those pleasant working conditions such as office accommodations suitable for working environment and 24 Hrs. stable electricity supplies at working place will enhance quantity and quality of work at work environments.

Recommendations

It is important that Bida local government council should establish recognition as a widely applied practice, and make it be part of the organization culture. It is a simple concept but highly contributes to employee performance. This can be implemented by giving thank-you notes, a shoulder tap, congratulating one in the presence of his/her peers, having employee of the month contests and so on.

The council management should also work on making sure environment is spacious enough to allow working without strain for the employees, provide medical insurance scheme for employees and their families as part of the motivation program.

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