

## MEASURING THE NON-FINANCIAL REWARDS IN ESCALATING EMPLOYEES JOB SATISFACTION (A STUDY OF PRIVATE COMPANIES IN PAKISTAN)

Waqar Akbar <sup>a</sup>, Sana Riaz <sup>b</sup>, Kashif Arif <sup>c</sup>, Ahson Hayat <sup>d</sup>

<sup>a</sup>Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology (SZABIST), Pakistan

<sup>bc</sup>Mohammad Ali Jinnah University (MAJU), Pakistan

<sup>d</sup>Tradekey, Karachi, Pakistan

Corresponding email: waqar.akbar@szabist.edu.pk

---

### Abstract

Rewards play a vital role to increase satisfaction. To satisfy the employees, there is an important role of non-financial rewards. Though financial rewards are considered to be very effective and is an important form to escalate job satisfaction, non-financial rewards are still overlooked at times. This study measures the impact of non-financial rewards on job satisfaction at work place in private companies of Pakistan. Data is gathered through Self-Administrated Questionnaire containing 5 nominal and 12 Likert scale questions from a Sample of 100 employees by convenience sampling technique. The data is analysed through SPSS. Correlation and regression tests are applied to analyze the data. The results reveal that recognition, flexible working arrangement, feedback to employees, freedom, advancement opportunities, promotion, empowerment, competitive work environment and individual reward preference positively impact job satisfaction in the workplace. It would further be suggested that focusing the factors that positively impact job satisfaction would enhance the performance of employee and create a positive work environment which will also help grow the organization's productivity.

**Keywords:** Non-financial Rewards, Employees Job Satisfaction, Work Environment, Private Companies.

---

### 1. Introduction

Dzuaranin (2012) argues that companies providing only financial incentives must also be providing non-financial rewards to increase employee's satisfaction. Different kinds of methods are being used for this matter. Reward policies which consists both monetary and non monetary, makes a powerful impact on the performance of the employees and their level of satisfaction. An employee's attitude can be changed through both effective financial rewards and non-financial rewards system. These rewards are helpful in bringing a positive change in the workplace environment and improving work performance. When the employees feel committed to the organization and get engaged with the help of satisfaction, their efforts result in an effective production. The relation between job satisfaction and intrinsic motivation is positively evident in the literature giving a clear idea that employees having intrinsic motivation found to be more satisfied (Hayati & , 2012; Tymon et al, 2010).

It is evident from previous studies that gaining job satisfaction is not that easy with the help of rewards. Employees' expectations, needs and desires should be necessarily realized and understood by the managers and those rewards should be offered to the employees which lead towards their satisfaction (Bayissa& Z ewdie, 2010). Richard (2006) also argues that retaining and engaging employees is not a simple task there are various reward packages are being designed and implemented in the organizations. He further reveals that the organizations found it very difficult when it comes to the prediction of behavior of an individual. There are some employees who consider some specific rewards to be necessary for them and on the other hand some are attached to some other different rewards. There is variation over time by time in the packages of reward significantly and also life style makes impact on rewards package.

Few studies also contradict with the notion of positive relation between non-financial rewards and job satisfaction. Zaman et al. (2011) describes the relationship between

intrinsic rewards, extrinsic rewards and level of motivation between employees that was found in 3 organizations which are said to be nonprofit organizations in Pakistan. Another survey conducted online and purpose was to study impact of non-monetary and monetary incentives regarding labor turnover. Through the results of the study, it was revealed that there is no difference in terms of both forms of rewards (Murphy, 2007).

Hence, this study is proposed to investigate that how organization are satisfying their employees by using non financial rewards and how non financial rewards are positively related to employee satisfaction. There are different types of rewards which an organization offers to its employees. The rewards which are offered by the companies consist of both financial and non financial rewards. The effective reward package increases the level of motivation which leads towards employee's satisfaction and there is an ultimate increase in employee's productivity. The scope of the research is confined with employees' perspective because employees' viewpoint is very important and useful while designing the rewards package since they must be satisfied with these rewards. This research may help the HR practitioners and firm owners to design the best reward packages for their employee which not only retain them in the organization but motivate them to work with satisfaction. The results of this study also add in knowledge of total reward which includes the combination of non-financial and financial rewards.

## **2. Literature Review**

Every individual has different criteria of being satisfied and it is necessary to find out those criteria in order to achieve the goals of organization. The literature review gives a better view to understand that what those drivers are which initiate the actions of people and they engage themselves in certain practices. In this literature, employee job satisfaction through different non financial rewards has been analyzed.

Rast & Tourani (2012) conducted a research and studied the job characteristics which are imposing significant effect on employee job satisfaction found in 3 different private airlines. The results and findings of the study revealed that relationships, supervision, job nature, pay, and opportunities for promotion are related moderately to employee job satisfaction. Hunjra et al. (2010) also initiated a research study which was conducted to observe banking sector in which evidence was provided regarding a relationship which is said to be positive between job autonomy, behavior of leadership, environment consisting of team work and job satisfaction. The results of the study revealed that in the work place, if more job autonomy is provided then it increases the level of employee job satisfaction. Pragya (2008) explored relationship which is between job satisfaction and non financial rewards. It describes that job satisfaction can be increased with the help of non financial rewards.

Ahmad et al. (2010) conducted a research study regarding different monetary rewards and non monetary rewards and the relationship of job satisfaction of employees with both kinds of rewards. He investigated that strong determinants which are necessary for work satisfaction of employees are the rewards. Rewards like task significance, task autonomy and task involvement are used to determine the level of employee job satisfaction. He further revealed that there is a very significant relationship exists between employee job satisfaction and the non financial rewards.

Tausif(2012) conducted a research study in which the relationship between job satisfaction and non financial rewards was explored. Data which was collected from 200 employees who were associated with full time job in a public sector school. The results revealed that job satisfaction and non financial rewards are having a strong relationship. The research further revealed that increase in satisfaction through non financial rewards found more in older employees than younger ones.

Sara et al. (2006) conducted a research study related to hospitals which explored different rewards categories which are offered in hospitals such as psychological rewards, non

financial rewards and financial rewards. Each type of those rewards has so sub types of its own. Recognition is said to be a subtype of rewards which are psychological rewards. It was found in the study that there is a positive relationship among nurses' job satisfaction and recognition. Job satisfaction can be increased if there is recognition. World at work; the reward association (2008) found that the most important non financial reward is recognition for an employee; because through recognition the employee becomes satisfied and gives value to stay with the same organization. Rebecca(2006) studied job satisfaction related to the teachers. It investigated the relationship which is between job satisfaction of teachers and recognition. It was found that the relationship is positive between job satisfaction praise and recognition. If recognition with higher level is offered, there will be more work satisfaction for the employees.

Adeoti et al. (2006) revealed that some non financial rewards like achievement, recognition, personal growth and responsibility impose very effective and positive effect on employees' work performance. Providing task significance, skill variety, feedback and autonomy gives more meaning to an employee's job. Dambisya(2007) also conducted a research study which was related to health sector, describes that the incentives which are non financial for health workers lead to employee satisfaction. It also includes that individual's performance is affected by non financial rewards.

Danish & Usman (2010) conducted a study which revealed that among all the organizational resources, human resource management is the most important one. The knowledgeable and competitive individuals are very important when we talk about the overall performance of any organization. An organization can be helped by motivating employees and become competitively more cost-effective and value added. He further describes that there are different degrees of satisfaction and work motivation which are linked together and recognition and rewards have great impact on worker's motivation, and increased job performance with the help of work motivation will lead towards job satisfaction.

Bayissa & Zewdie (2010) conducted a research study which was related to the education sector. Basically, it was regarding different rewards of job i.e. recognition, work place freedom, decision making involvement, learning opportunities of new things with the help of further salary, education, incentive and security of the job. He further argues that employees will feel dissatisfied if effective packages of rewards are not designed. The factors like recognition, absence was ranked second, opportunity lacking to learn with the help of further education was ranked eighth, job freedom of low level was ranked sixth and less participation chance in decision making process was ranked third which lead towards employees' dissatisfaction. It actually means that recognition is related significantly with employee's satisfaction. The rewards like job freedom, participation chance in decision making, and learning opportunity of new things was respectively ranked.

Gert et, al. (2008) found through a study that preferences of working time are immensely related to job satisfaction and life. In addition to that, (Hanglberger, 2010) analyzed through a research that the influence which job satisfaction has from working hours with data of GSOEP year 2007 and 2005 and found that employees who are having full-time job gets satisfied with the positive impact of working hours which are self-determined.

Erbasi (2012) conducted a research which was related to effect of non financial and financial rewards on job satisfaction. The research revealed that there is a relationship exists between non financial incentives, financial incentives and job satisfaction which is said to be significant. Financial incentives were found to be having a more solid effect than non financial incentives which was revealed through the attitude of employees.

### 3. Research Methodology

The research is a quantitative type and the nature is descriptive. Information has been collected through survey of employees working in different organizations in Karachi. The findings of study are for academic purpose. Because it is impossible to survey the whole employees working in all the organizations so the target population is available best possible employees working in different departments of various organizations. The employees are both male and female and the study area is Karachi city.

The convenience sampling technique was chosen to conduct this study. A sample of 100 employees had been taken to gather the information. A self-administered questionnaire is used as a research instrument and the questionnaire used in the research is designed carefully indicating all those factors which are needed to be investigated. The scale which has been used to measure each statement is Likert scale having 5 points (Strongly Disagree = 1, Disagree = 2, Neutral = 3, Agree = 4 and Strongly Agree = 5).

The conceptual framework for this study is derived from reviewing the existing literature. The variables chosen in this study are mentioned in the [figure 1](#).

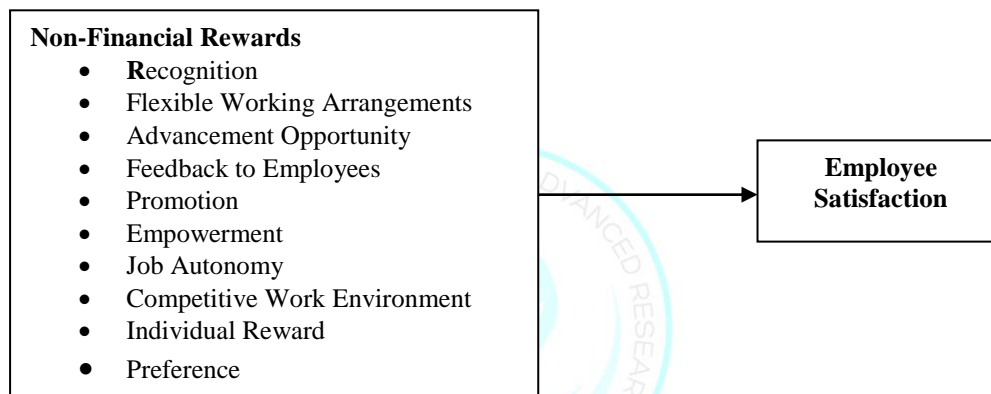


Figure 1: Conceptual Framework

#### 3.1 Research Hypothesis

To conduct this study, following hypothesis have been set to test the impact of non financial rewards on job satisfaction of employees

- H1 Recognition has a significant relation with Job Satisfaction
- H2 Flexible working arrangements have a significant relation with Job Satisfaction
- H3 Advancement Opportunities has a significant relation with Job Satisfaction
- H4 Feedback to Employee has a significant relation with Job Satisfaction
- H5 Promotion has a significant relation with Job Satisfaction
- H6 Empowerment has a significant relation with Job Satisfaction
- H7 Job Autonomy has a significant relation with Job satisfaction
- H8 Competitive Work Environment has a significant relation with Job Satisfaction
- H9 Individual Reward Preference has a significant relation with Job Satisfaction

### 4. Analysis

#### 4.1 Respondent Profile

Table 1 shows that one third of the respondents are male in this research. The information of age group in the research shows that 70% have been found in the category of 20 – 29 years which is found to be the major category of age group. Marital Status information in the survey shows that 58% employees stating their opinion have been found single, so we can say that singles are in majority in the survey, 49% are married. The educational qualification

information shows that 30% employees have been found in Masters whereas 48% are Bachelors qualified.

Table 1: Respondents Profile

| GENDER        | Percent | EDUCATION       |     |
|---------------|---------|-----------------|-----|
| Male          | 79%     | Masters         | 30% |
| Female        | 21%     | Bachelors       | 48% |
| AGE GROUP     |         | Intermediate    | 20% |
| 20 - 29 years | 70%     | MARITAL STATUS  |     |
| 30 - 39 years | 20%     | Single          | 58% |
| 40 - 49 years | 07%     | Married         | 41% |
| 50 - 59 years | 03%     | Widow / Widower | 01% |

#### 4.2 Reliability Test

The data is analyzed with the help of SPSS 16. In order to test reliability of results, Cronbach's Alpha test is run and result indicates the .838 reliability. In fact the cronbach's alpha values of all the variables are > 0.80 which indicates the fact that the data is not only reliable and acceptable for analysis.

Table 2: Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .838             | 10         |

#### 4.3 Descriptive Analysis

The result in table 3 shows that the direction of Job satisfaction with Non Financial Rewards such as Recognition, Flexible Working Arrangements, Advancement Opportunities, Feedback to Employees, Promotion, Empowerment, Job Autonomy, Competitive Work Environment and Individual Reward Preference has been ranged from 2.95 to 3.71. The value of mean for Individual Reward Preference has been the lowest value with 2.95 at 5 point scale which is considered to be about average score and more on neutral side in preferring non financial rewards and Recognition is having the highest value with 3.71 which is more than average and towards higher agreement side. It may be seen from the results the mean value on job satisfaction is more on agreement side with 3.56 which shows that job satisfaction is found to be satisfactory, the mean on flexible working arrangements with a value of 3.42, the mean of Job Autonomy is 3.57, feedback to employees with a value of 3.64, promotion is having value of 3.47, the means value of empowerment is 3.69, and competitive work environment mean value is 3.59 said to be more than average and towards agreement side in majority.

Table 3: Descriptive statistics of non-financial rewards on job Satisfaction

|                               |      |       |
|-------------------------------|------|-------|
| Recognition                   | 3.71 | .946  |
| Flexible Working Arrangements | 3.42 | .976  |
| Advancement Opportunities     | 3.57 | .967  |
| Feedback to Employees         | 3.64 | .980  |
| Promotion                     | 3.47 | 1.105 |
| Empowerment                   | 3.69 | .895  |
| Job Autonomy                  | 3.57 | .967  |
| Competitive Work Environment  | 3.59 | .996  |
| Individual Reward Preference  | 2.95 | 1.058 |
| Employee Satisfaction         | 3.56 | .831  |

#### 4.4 Correlation Analysis

In order to understand the relation between the variables of study, Pearson Correlation test is applied. The results in table 4 reveals that there is a significant relation between job satisfaction with all independent variables of the study at 99% confidence level. However, the strength of the relation of job satisfaction with competitive work environment is comparatively low among all variables which interprets that employees have some considerable issues with work setting. It is also considerable to see that Promotion is highly correlated among all variables that imply that employees want to grow themselves for vertical development within their organizations.

Table 4: Correlation Analysis: Non-financial rewards and job Satisfaction

| Variable                      | Pearson Correlation (r) | Level of Significance |
|-------------------------------|-------------------------|-----------------------|
| Recognition                   | .406**                  | .000                  |
| Flexible Working Arrangements | .496**                  | .000                  |
| Advancement Opportunities     | .491**                  | .000                  |
| Feedback to Employees         | .498**                  | .000                  |
| Promotion                     | .546**                  | .000                  |
| Empowerment                   | .521**                  | .000                  |
| Job Autonomy                  | .475**                  | .000                  |
| Competitive Work Environment  | .374**                  | .000                  |
| Individual Reward Preference  | .400**                  | .000                  |

#### 4.5 Regression Analysis

Table 5 discusses the result of our hypothesis mentioned in the methodology section. From the given table, we can interpret that our null hypothesis including advancement opportunities, feedback to employees, employee empowerment, job autonomy and individual reward preference are reject at 95% confidence level and we can conclude that these factors have positive significant impact on Employee job satisfaction. However, other variables values are not significant yet our overall F-value given in table indicates that our model is significant therefore we can find the impact of all these non financial variables on employee job satisfaction.

The beta value of standardized coefficients clearly indicates that there is a positive change of dependent variables on employee satisfaction. We can conclude with these variables that one point change in Recognition result in change of 1.06 % change in employee satisfaction. Similarly, one point change in all other variables result in change job satisfaction highlighted in the table 5.

The R square value 0.756 depicts that independent variables can cause 75.6% impact on employee job satisfaction while adjusted R square is 0.528 shows the fitness of the model. The F-statistics also explains the significance of the model.

Table 5: Regression Analysis of non-financial rewards on job Satisfaction

| Independent Variables         | Coefficients | t-stat | P-value |
|-------------------------------|--------------|--------|---------|
| Recognition                   | .057         | .716   | .476    |
| Flexible Working Arrangements | .125         | 1.416  | .160    |
| Advancement Opportunities     | .151         | 1.771  | .080    |
| Feedback to Employees         | .173         | 2.026  | .046    |
| Promotion                     | .114         | 1.241  | .218    |
| Empowerment                   | .182         | 2.103  | .038    |
| Job Autonomy                  | .164         | 1.985  | .050    |
| Competitive Work Environment  | .040         | .517   | .606    |

|   |        |      |       |      |
|---|--------|------|-------|------|
| Individual Reward Preference                  |        | .190 | 2.482 | .015 |
| R-square                                      | 0.756  |      |       |      |
| Adjusted R-Square                             | 0.528  |      |       |      |
| F-statistics                                  | 13.324 |      |       |      |
| Dependent Variable: Employee Job Satisfaction |        |      |       |      |

## 5. Discussion and Conclusion

Non financial rewards are very important for employee satisfaction. This research is conducted to investigate whether there is an impact of non financial rewards on job satisfaction and how much they are satisfied with the rewards they are getting from their organizations. There are different kinds of rewards which the organizations offer to their employees to keep them satisfy and motivate them. Non financial rewards for this study have been chosen after detailed review of literature. The rewards include Recognition, Flexible Working Environment, Advancement Opportunities, and Feedback to Employees, Promotion, Empowerment, Job Autonomy, Competitive Work Environment and Individual Reward Preference.

The research is conducted using a survey technique. A self administrated questionnaire has been used to gather data from about 100 respondents using convenience technique. The questionnaire was used to measure different variables. 100% respondent participated in the survey and stated their opinions on each variable in the questionnaire.

Majority of the employees have been found to be overall satisfied with their job including the overall rewards they are getting, job responsibilities they have given, job position and security they have been provided by the organization. The individual reward preference shows that there is a neutral opinion of employees in preferring Non Financial Rewards which indicates that Employees have neither agreed nor disagreed with it. The highest agreement of employees was found to be the on the Recognition which shows that employees are getting recognition frequently for their efforts in the organizations. Other non financial rewards like flexible working arrangements, advancement opportunities, feedback to employees, promotion, empowerment, competitive work environment and job autonomy also found to be more on agreement side than disagreement clearly indicates that the organizations are satisfying and rewarding their employees by providing these non financial rewards.

## 6. Future research

This study is limited with Karachi city only. There are many other geographical areas which may be chosen for further study. The research limits with sample size 100 only due to time and budget constraints. Size can be improved as well. This research mostly indicate the results from young employees whose age is mostly less than 30 years. Senior level of employees' results can also reveal further insides about non financial rewards on their job satisfaction.

## References

- i. A Survey of World at Work Members, 2008. *Trends in employee Recognition*. [Online] Available at: <http://www.worldatwork.org> [Accessed 1 May 2011].
- ii. Adeoti, J. & Isiaka, S., 2006. Non Financial Compensation and Its Impact on Employee Performance in Slected Nigerian Firms. *Ilorin Journal of Business and Social Sciences*, 11(1), pp. 3-11.
- iii. Ahmad, S. et al., 2010. Insecure job and low pay leads to job dissatisfaction. *Interdisciplinary Journal of Contemporary Research in Business*, 1(11).
- iv. Bayissa, W. & Zewdie, S., 2010. Academic Staff Reward System: A Case of Jimma University. *Ethiopian Journal of Education and Sciences*, 6(1), pp. 13-27.
- v. Bialopotocki, R., 2006. *Recognition and praise relate to teachers' job satisfaction*, s.l.: s.n.
- vi. Dambisya, 2007. *A review of non-financial incentives for health worker retention in east and southern Africa. With the Regional Network for Equity in Health in East and Southern Africa (EQUINET) and the East, Central and Southern African Health Community.*, s.l.: Esca-hc.
- vii. Danish, Q. & Usman, A., 2010. Impact of Reward and Recognition on Job Satisfaction and Motivation: An Empirical Study from Pakistan. *International Journal of Business and Management*, 5(2), pp. 159-167.
- viii. Dzuaranin, S., 2012. The effect of tangible and intangible noncash rewards on performance and satisfaction in production setting. *Management Accounting Quarterly*, 13(4).
- ix. Erbasi, A., 2012. The Effect of Financial and Non-financial Incentives on Job Satisfaction: An Examination of Food Chain premises in Turkey. *International Business Research*, 5(10).
- x. Gert, G., Wenzel, M. & Verena, T., 2008. Arbeitszeitwünsche, Arbeitslosigkeit und Arbeitszeitpolitik. *WSI Mitteilungen*, Volume 2, pp. 92-98.
- xi. Hanglberger, D., 2010. *Job Satisfaction and Flexible Working Hours – Empirical Analysis with Data of the Socio-Economic Panels*. Lüneburg, Germany: Forschungsinstitut Freie Berufe (FFB)..
- xii. Hayati, K. & Caniogo, I., 2012. Islamic work ethic: The role of intrinsic motivation, job satisfaction, organizational commitment and job performance.. *Procedia –Social and Behavioral Sciences*, Volume 65, pp. 672-677.
- xiii. Hunjra, I. et al., 2010. Factors Effecting Job Satisfaction of Employees in Pakistani Banking Sector. *African Journal of Business Management*, 4(10), pp. 2157-2163.
- xiv. Murphy, M., 2007. *Incentive programs and labor turnover rate in hospital food service. A thesis submitted to Graduate school*, Texas: Texas Woman's university, USA.
- xv. Pragya, S., 2008. Scope of Non-monetary Rewards. *Indian Journal of Industrial Relations*, 44(2), pp. 256-271.
- xvi. Rast, S. & Tourani, A., 2012. Evaluation of employees job satisfaction and role of gender difference: An empirical study on Airline industry in Ira'. *International Journal of Business and Social Science*, 3(7), pp. 91-100.
- xvii. Richard, I., 2006. *Compensation Management in a Knowledge Based World*. 10th ed. s.l.:Pearson Education Inc..
- xviii. Sara, D. et al., 2006. *Identifying nurses' rewards: a qualitative categorization study in Belgium. Human Resources for Health*. [Online] Available at: <http://www.human-resources-health.com/content/4/1/15> [Accessed 20 April 2011].
- xix. Tausif, M., 2012. Influence of non financial reward on job satisfaction: A case study of educational sector of Pakistan. *Asian Journal of Management Research*, 2(2), pp. 688-696.



- xx. Tymon, Jr, W., Stumpf, S. & Doh, J., 2010. Exploring talent management in India. The neglected role of intrinsic rewards. *Journal of World Business*, Volume 45, pp. 109-121.
- xxi. Zaman, K., Nadia, S., Shah, S. & Jamsheed, H., 2011. Relationship between rewards and employees motivation in the non-profit organizations of Pakistan.. *Business Intelligence Journal*, 4(2), pp. 327-334.

