

*Full Length Research Paper*

# The Impact of Monetary and Non-Monetary Rewards on Motivation among Lower Level Employees in Selected Retail Shops

Martha Harunavamwe and Herbert Kanengoni\*

Department of Industrial Psychology, University of Fort Hare, P. Bag X1314, Alice, 5700, South Africa.

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The present study investigated the effects of monetary and non-monetary rewards on motivation with respect to lower level employees in the retail industry. An empirical investigation was undertaken using a sample of fifty (50) lower level employees drawn using the random sampling technique. A questionnaire adjusted to suit the retailing environment was employed to collect data. The findings of the study indicated a moderate significant relationship effect of non-monetary rewards on lower-level employee motivation ( $r = .607$ ,  $p < 0.01$ ). There was no significant relationship between monetary rewards and motivation ( $r = .161$ ,  $p > 0.01$ ). There was a positive but weak significant relationship between rewards in general and work motivation ( $r = .436$ ,  $p < 0.01$ ) in all cases, demographic variables such as gender and occupation played a significant role in the relationship between rewards and motivation.

**Key words:** Motivation, monetary rewards, non-monetary rewards, lower-level employees.

## INTRODUCTION

Many retail organisations in South Africa are adopting a strategic approach to motivation management in order to improve their competitiveness, profit and sales. Common strategies employed include ensuring employee loyalty, organizational citizenship behavior, and appropriate rewards (Bateman and Snell, 2007). The design and management of motivational reward systems present managers with one of the most difficult human resource tasks. Bagraim et al. (2007) noted that, there is need to find out the needs and goals of employees in order to address them and achieve the required motivation. Thompson et al. (2005) indicate that a properly designed motivational reward structure is management's most powerful tool for mobilizing organizational commitment to successful strategy execution and productivity.

Arnolds and Venter (2007) stated that there is a huge crisis of motivation in most large corporations. Their

findings show that, business firms spend billions of money each year on courses and incentives, to increase employee motivation, but these interventions do not always translate into higher levels of employee motivation. This is as a result of the different perceptions between management and subordinates on the way organizational goals should be achieved. Employees and managers give different levels of importance to various motivational rewards depending on the situation. Delany and Turvey (2007) noted that, managers want a workforce with speed, high productivity and adaptability to change.

Employees on the other hand want an entrepreneurial environment, strong skill development and opportunities for growth and competitive compensation to be motivated.

A body of experience, research and theory has been developed to study motivational rewards. Some of the

\*Corresponding author. E-mail:- [hkanengoni@gmail.com](mailto:hkanengoni@gmail.com).

researches focused on non financial motivational techniques. An example is the research by Arnolds and Venter, (2007) on the strategic importance of non-financial motivational rewards. However other research for example Ramms (2007) focused on money as a motivator on all levels of employment. This presented challenges and misconceptions regarding money as a motivator since different levels of employees are motivated by different factors. For example, it is possible that lower level employees whose needs fall under lower order needs according to Maslow's hierarchy of needs can be highly motivated by monetary rewards depending on how these financial rewards are administered.

According to Robbins et al. (2003) one of the most challenging motivational problems in industries such as retailing and fast foods is how to motivate individuals who work for very low wages and have little opportunity to increase their pay in either their current jobs or through promotions. These jobs are filled with people who have limited education and skills and whose pay levels are little above minimum wage, thereby dominated by lower order needs. The only choice left to motivate these lower level employees is the significant increase of pay and benefits to reduce turnover and boredom.

As far back as 1911, Frederick Taylor described money as the most important reward to motivate lower level employees to achieve high productivity. However, there is lack of conclusive evidence on the motivational impact of monetary rewards on job performance of employees. Research by Arnolds and Venter (2007) indicated that frontline employees and blue collar workers rate recognition as their best rewards hence relying only on money can cause problems because people are motivated by different rewards. According to Bagraim et al. (2007), some employees have financial goals, others have professional goals, and others have personal goals. The same incentives cannot work for all.

As a result of the above, there are debates, misconceptions and empirically unsupported opinions on whether managers should consider money to be the best choice to motivate lower level employees and neglect non-monetary rewards. Thus, it is not surprising that money alone is less an effective motivator for lower level employees than when it is used in conjunction with non-financial reinforcements. Bates (2006) noted that, lower level group of workforce is difficult to motivate because, they neither enjoy their jobs nor feel good about themselves they lack motivation and organizations do not want to invest much in them. Hellriegel (2004) stated, traditionally motivating these people have focused on providing more flexible work schedules and filling these jobs with teenagers and retirees with less financial needs but all the same statistics indicated dissatisfaction among the lower level employees. It is therefore important to investigate whether lower level employees are motivated by rewards both monetary and non-monetary and if so which are the best rewards for them. In this regard, the

study addresses the concern raised by Iglans and Roussel (1999) that, assumptions that underpin the compensation policies of managers have not yet been adequately and conclusively tested by field research especially among the lower-level employees.

## OBJECTIVES OF THE STUDY

- (1) To investigate the effectiveness of financial incentives on lower level employees' motivation.
- (2) To investigate the importance of non-monetary rewards on lower level employees' motivation.
- (3) To determine which reward best motivate lower level employees.

## Lower level employees in Organisations

Robbins et al. (2003) postulate that low-level jobs; possess characteristics such as jobs with low entry, low skill requirements and no chance for upward mobility. Lower-level employees are defined as that category of employees that Hellriegel (2004) label as non-managers. In the retail industry, these include blue-collar workers, such as till operators, process controllers, and technicians, frontline workers such as service attendants, drivers, cleaners and sales personnel.

Odendal et al. (2003) noted, low level employees are relegated to the least demanding jobs at the back of the labor queue and their pay levels are little above minimum wage. These include inexperienced youths and voluntary workers for whom these jobs are transitory employment before moving on to permanent work. There are also those with relatively greater skills who are trapped in low level jobs by discrimination of geographic isolation from ethnic minorities, immigrant groups, female, or economically depressed areas. To ensure high productivity, this group of employees needs to be motivated.

## Theoretical Explanations On Employee Motivation And Rewards

Herzberg (1957) proposed that employees are influenced or driven to work by two factors (motivators and hygiene factors). Hygiene factors ensure that employees do not become dissatisfied but does not lead to high motivation, but without them; motivators cannot achieve their goal since the employees will be dissatisfied. Hygiene factors involve the process of providing rewards or threats of punishment to cause someone to do something. Salary is one of the hygiene factors hence money does not lead to high levels of motivation but impact on motivation in a way. Motivator factors are needed to drive an employee into higher performance. These factors result from internal generators in employees. As stated in Value based

Management (2008) a combination of the two factors results in four scenarios which are important in the relationship between employee motivation and rewards. These include,

High hygiene + High motivation= employees highly motivated with few complaints and high performance.

High hygiene + low motivation = employees have few complaints but are not highly motivated.

Low hygiene +High motivation = employees are motivated but have a lot of complaints, job is exciting and challenging but salaries and work conditions are poor hence motivation keeps on diminishing as a result of complaints.

Low hygiene + low motivation = result in unmotivated employees with lots of complaints and consequently performing poorly.

Wallace and Zeffane (2001) noted, management depend upon rewards like money as the main factor of motivation because according to Maslow's hierarchy of needs, money is a unique reward that can satisfy different needs such as physiological need for food. In McClelland's acquired needs theory, money is an important source of performance feedback for high –need achievers. Non-monetary rewards on the other hand attract persons with a high need for affiliation through verbal recognition, and high achievers through challenging jobs. Skinner (1953) argued that, the use of rewards in the classic work performance paradigm is based primarily on the reinforcement theory which focuses on the relationship between a target behavior such as high performance and its consequences for example pay. This study was framed from Herzberg's two factor theory and Skinner's Reinforcement.

### **Employee motivation and rewards**

Rewards are divided by Armstrong (2007) into two groups; these are monetary and non- monetary rewards. The monetary rewards include base pay, merit pay, incentives, commission, bonus and healthy allowances. Non-monetary rewards include recognition, decision making roles, promotion, flexible working hours and company uniforms. Armstrong (2007) indicated that employees are rewarded in accordance with their contribution, skill and competence and their market worth.

The importance of money as a motivator has been consistently downplayed by most behavioral scientists like Herzberg who point out the value of challenging jobs, feedback, cohesive work teams and other nonmonetary factors as stimulants to motivation. However, money is the crucial incentive to work motivation because it is the vehicle by which employees can purchase the numerous need-satisfying things they desire (Robbins et al. 2003). Researches reaffirm that for the vast majority of the workforce, regular pay is absolutely necessary in order to

meet basic physiological and safety needs, hence, lower level employees are caught in the trap. Furthermore, money also performs the function of a scorecard by which employees assess the value that the organization places on their services, hence an element of being a valuable asset in the organization results in personal motivation resulting in money having a positive impact on motivation (Langton and Robbins 2007).

Armstrong (2007) also point out that rewards can act as a goal that employees generally strive for, and as an instrument which provides valued outcomes. It is also a symbol which indicates the recipient's value to the organization and can act as a general reinforcer because it is associated with valued feedback (Langton and Robbins 2007). Many organizations face problems when trying to understand the relationship that exists between rewards and motivation, however, Langton and Robbins (2007) argued that for rewards to motivate an individual certain conditions must be met, that is, the type of reward must be important to an individual and should be perceived as a direct reward for performance; if it is money, the marginal amount should be perceived by the individual as being significant, therefore, for money to motivate, the marginal difference in pay increases between a high performer and an average performer or a high skilled and a low skilled should be significant.

### **The concept of Monetary and non-monetary rewards**

Bates (2006) indicates, for money to motivate, merit pay rises must be at least seven percent of base pay for employees to perceive them as motivating and to catch anybody's attention. Recent studies for example by Locke (1998) on the four methods of motivating employees indicated that money rated the second among lower-level employees. Such evidence demonstrates that money may not be the only motivator, but it's difficult to argue that it doesn't motivate. This therefore opens up the debate that non-financial rewards such as recognition, decision making and job security have a role to play in the internal motivation of employees that monetary rewards cannot address. To assume that financial incentives will always motivate people to perform better is therefore as simplistic as to assume that they never motivate people to perform better. The only issue that is certain about this is that multiplicities of interdependent factors are involved in motivating employees ranging from money to non-monetary.

Another stream of analyses points out that people never rate money as their main motivator, most achievements are reached for reasons other than money, and it is a factor that attracts people but does not play a big role in retaining and motivating. Robert and Shen (1998) point out, salary and other hygiene factors yielded dissatisfaction and only motivators directly influence motivation beyond the psychological neutral level.

In a recent survey, by (Ellis and Pennington, 2004)

direct financial reward played a critical role in attracting talented employees, but they have only a short term impact on the motivational levels of employees. Kohn quoted by Armstrong (2007) challenge what he calls the behaviorists dogma about money and motivation. He claims that, no controlled scientific study has found a long-term enhancement of the quality of work as a result of any reward system. Slater quoted by Armstrong (2007) also argued that the idea that everybody wants money is propaganda circulated by wealth addicts to make they feel better about their addiction.

Armstrong (2007) further argued that, a closer look on how employees are motivated indicates that it becomes disturbingly clear that the more you use rewards to motivate, the more employees tend to lose interest in whatever they had to do to get the rewards. The more reinforcing the reward is, the more it erodes intrinsic interest. Therefore, various devices can be used to get employees to do something, but that is a far cry from making people want to do something in this regard, non-monetary rewards apply. Theorists therefore point out the value of challenging jobs, feedback, cohesive work teams and other nonmonetary factors as stimulants to motivation which should never be left out when addressing the subject of motivation in the workplace.

Pfeffer 1998 as quoted by Armstrong (2007) also contends that employees do work for money but they work even more for meaning in their lives. Where there is no meaning of work, there is greater loss of loyalty and commitment and pay should therefore not substitute for a working environment high on trust, fun, and meaningful work. The above simply mean, money should be used in conjunction with other motivating factors in order to win the attention of employees.

However, according to Armstrong (2007), in a much publicized study, Gupta and her colleagues analyzed thirty-nine studies conducted over four decades and found that cold-hard cash motivates workers whether their jobs are exciting or mundane in labs and real world settings alike. But the research team acknowledges that money is not the only factor that concerns employees noting that beyond a certain point higher salaries will make employees happier, but it will not buy better performance and motivation. Still, Gupta warns that employers who dole out small merit raises-less than seven percent of base pay –may do more harm than good. According to her, small raises can actually be dysfunctional in terms of motivation because employees become irritated that their hard work yielded so little. Therefore there are mixed feelings among scholars on whether money has a positive or negative impact on motivation and such a question can only be addressed through an empirical study.

### Research hypothesis

In light of the objectives and related literature, the

following research hypotheses were operationalised:

H<sub>1</sub> –There is no significant effect of monetary rewards on employee motivation.

H<sub>2</sub>- Non-monetary rewards have a significant effect on employee motivation.

H<sub>3</sub>. Recognition is the best motivating factor for lower level employees.

## MATERIALS AND METHODS

### Population and Sample

The population of the study consisted of 254 employees from three selected retail shops. The sampling frame was 106 lower-level employees. Using the cluster sampling technique, 50 lower-level employees were picked from different departments to participate in the study. This sample represented 47.1% of the total lower level employees.

### Measuring instruments

A structured questionnaire with reward items as developed by Luthans (1998:65) was used to collect data from the respondents. This questionnaire was used to determine the relationship between rewards and employee motivation. The three variables under study which are monetary rewards, non-monetary rewards and motivation were each asked in separate sections. Section A asked employees their demographic information. Section B asked the employees the extent to which the organization's use of selected monetary rewards was driving them to work hard with direction. These rewards included base pay, merit pay, bonus, commission, allowances and incentive pay. The items were measured on a five point itemized likert scale that ranged from to a large extent to a smaller extent. The second question was dealing with non-monetary rewards, respondents were asked to evaluate how likely they were inspired to perform their best when they receive rewards such as recognition, promotion, pension benefits, uniforms, flexible working hours and decision making roles. The response categories were from very likely to very unlikely in a five point likert scale. The third question then examined the employees' level of motivation taking into consideration (Herzberg, 1957)'s tangible measures of motivation ranging from, meaningfulness of the job, enjoying the job, love the job, freedom in doing the job, main goal of working accomplished, and overall work environment satisfying or not. Lastly, the questionnaire provided a section for the employees to indicate their best reward.

### Administration of questionnaire

The questionnaire was distributed among lower level employees such as cashiers, shelf packers and kitchen staff by different section managers in the shops. Most of the employees were given time to complete the questionnaires. Shop stewards who were randomly picked by the section manager of each shop department to collect the filled in questionnaires.

### Statistical analysis

Level of motivation was measured using motivational factors such as meaningfulness of job, sufficient rewards, satisfying environment, job security and freedom in doing work. A correlation between

**Table 1.** Correlation Results for effect of monetary rewards and motivation

		Financial Reward	Non Financial Reward	Motivation
Financial Reward	Pearson Correlation Sig.(2-tailed)	1.000	.278	.161
	N	50	50	50
Non Financial Reward	Pearson Correlation Sig.(2-tailed)	.278	1.000	.607***
	N	50	40	50
Motivation	Pearson Correlation Sig.(2-tailed)	.161	.607**	1.000
	N	50	50	50

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

**Table 2.** Correlation Results for effect of non-monetary rewards and motivation

		Non Financial Reward	Motivation
Non Financial Reward	Pearson Correlation	1.000	.607**
	Sig. (2-tailed)		.000
	N	50	50
Motivation	Pearson Correlation	.607**	1.000
	Sig. (2-tailed)	.000	
	N	50	50

the three variables was calculated using the Pearson Product Moment Correlation.

## RESULTS

Research hypothesis 1: There is no significant effect of monetary rewards on employee motivation.

As indicated in Table 1, there was no significant relationship between monetary/financial rewards and employee motivation ( $r = .161$ ,  $p > 0.01$ ). The research hypothesis was therefore not rejected.

Research hypothesis 2: Non-monetary rewards have a significant effect on lower-level employees' motivation.

As indicated in Table 2, there is a moderate significant relationship between non-monetary rewards and motivation with a correlation of ( $r = .607$ ,  $p < 0.01$ ) this means that, non-monetary rewards are good motivators among lower-level employees. This concurs with Herzberg's two factor theory of motivation. The research hypothesis was therefore not rejected.

Overall, Table 3 shows that there is a significant but weak relationship between rewards in general and

motivation ( $r = .436$ ,  $p < 0.01$ ).

Research hypothesis 3: Recognition is the best motivating factor for lower level employees.

Figure 1 shows that, research hypothesis 3 was rejected. Most of the lower level employees indicated flexible working hours as their best reward (40%), followed by merit pay/pay for performance, (33%), then recognition (12%).

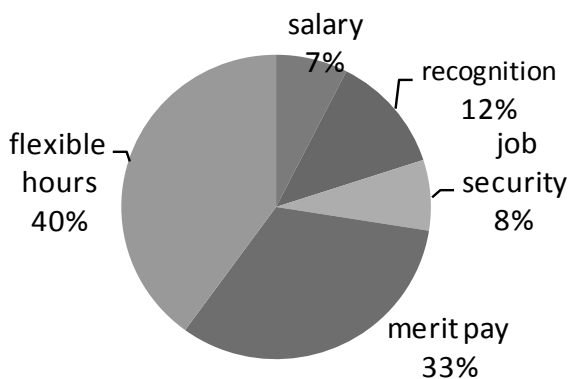
## DISCUSSION

The empirical results showed that, non-monetary rewards were given number one ranking by the lower level employees especially. These results are in agreement with Herzberg's two factor theory of motivation by Nelson (2004) which shows that 78% of employees indicated that it was very or extremely important to be recognized by their managers when they do good work but contradict with the general perceptions for example, in a much publicized study, Gupta and her colleagues analyzed thirty-nine studies conducted over four decades and found that cold-hard cash motivates workers whether their jobs are exciting or mundane in labs and real world

**Table 3.** Correlation for all rewards and motivation

		Overall Rewards	Motivation
Overall Rewards	Pearson Correlation	1.000	.436**
	Sig.(2-tailed)		.005
	N	50	50
Motivation	Pearson Correlation	.436**	1.000
	Sig.(2-tailed)	.005	
	N	50	50

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



**Figure 1.** Shows that, research hypothesis 3 was rejected

settings alike. Armstrong (2007). These results also contradict with Arnolds and Venter (2007) whose results indicated that financial rewards are the best motivators.

The empirical results also indicated that wage increases and cash incentives are not important motivational rewards for lower level employees. This contradict with previous studies like the American survey of 612 employees (<http://www.opm.gov/perform/articles/011.asp>) reported that cash incentives like year bonuses and market related salary are among the top five motivational rewards (Workplace changes employees want to see, 1999). The notion that money is not a motivator among lower level employees has been regarded as more theoretical than practical, however, the results of the study suggest that ,managers who implement motivational strategies will definitely reap the benefits in terms of improved employee job performance and morale.

There is an indication on the results that low- level employees especially blue collar workers want more responsibility in their work ,they want their jobs to be enriched with more freedom of decision making ,space for creativity, skill variety and task significance. This would increase meaningfulness of their jobs and result in higher internal work motivation and, high-quality work

performance. (Daft and Marcic, 2007). It is however often found that, additional work responsibility is not a notion generally linked to lower-level employees.

Results have shown that, lower level employees prefer flexible working hours, merit pay and recognition, in particular as the top three motivational rewards. This is an indication to management that monetary rewards one by one combined with non-monetary rewards would deliver better motivational results than monetary compensation alone which might be the case in many firms. In this regard, it is however important to heed Glasscock & Grams' appeal as quoted by (Daft and Marcic, 2007) that monetary rewards should not be confused with non-monetary rewards such as recognition. According to these two, monetary rewards are impersonal in nature, geared toward supporting short-term objectives of the firm, based on the corporate budget of the firm and are infrequently distributed. Therefore, organisations should consider balancing the monetary and non-monetary rewards especially among blue collar workers, such as flexible working hours. This can be as a result of the new trends in the working world which encourages individuals to live a healthy life. There has been a visible increase in the value of flexibility in one's working hours so as to maintain and improve the well-being of employees.

### Managerial Implications

For the retail human resource managers, non-monetary rewards according to this study, have proved to be effective on lower-level employee motivation, therefore there is a cheap way of keeping the workforce highly motivated? In order to achieve this, non-monetary rewards must be used to create a sincere focus of appreciation and on the other hand, money should be used as a reward linked directly to compensation not necessarily motivation.

Secondly, the results have indicated that, flexible working hours are highly motivational, to this extent; managers should adopt the new Shamrock organization planning to allow flexibility in the workplace. Lastly, retail organizations should aim to have a highly motivated

workforce which will ensure high productivity and high levels of customer satisfaction. All this can be achieved through strategic implementation of motivational techniques to meet the needs of the workforce.

### Limitations and future research directions

The direct focus of this investigation on only the retail industry and strictly among lower level employees raises concerns about limited generalisability as a result of this, the study remains in reality, not representative of all other industries and all other levels of employment in organizations. There are huge complex areas under employee motivation which have not yet been empirically investigated and even, additional replications of studies will provide a great deal of future studies. Comparative study between monetary rewards and non-monetary rewards for managerial staff can provide rich advances for future studies.

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