



Impact of rewards and recognition on employee productivity: An empirical study

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Abstract

The paper is prepared with the main motto to study the relationship between rewards and recognition and employee productivity. Rewards and Recognition is an independent variable and employee productivity is considered as dependent variable. The research is conducted by distributing well-structured questionnaire to the employees working in banking, education, information technology, hospital, hospitality and manufacturing sectors. The sample size of the study is 100 selected through random sampling. Likert's five scale was used for measuring employee's response. Cronbach alpha was used to check the reliability and validity of the instrument. Data analysis was done using various statistical tools and techniques. The paper concluded that there is a significant positive relationship between rewards and recognition and employee productivity. It means employees can perform better when they are better rewarded and recognized in their workplace.

Keywords: rewards, recognition and employee productivity

Introduction

Manpower is the biggest asset in any business organization. With the changing technology and constant innovation, the companies should see that their employees are continuously motivated and a high level of morale is maintained among the employees. Organizations cannot take financial compensation as a main motivator for the employees. Today organizations are under constant pressure to improve organizational performance. It is realised that there is an inter-relationship between organizational performance and employee performance. The organization should strike an equitable balance between the employee's contribution to the organization and the organization's contribution to the employees.

Organization should try to follow a strategic approach to creating a balance focus on the three main components of a reward system which includes compensation, benefits and recognition. Recognition should focus on making employees feel appreciated and valued. It is from the studies that recognized employees tend to have higher self-esteem, more confidence, and more willingness to take on new challenges and are eager to be innovative. Management can use reward system as a tool to channel employee motivation in desired ways. A good reward system attracts talented high calibre personnel to the organization. Finally, rewards and recognition in a business organization motivates employees to work efficiently and more productively ultimately resulting in increased organizational productivity.

Definitions

Conceptual Definition

Reward: Jack Zigon defines rewards as "Something that increases the frequency of an employee action" (1998)

Recognition: It is constructive, genuine feedback based on acknowledging people as sincere, worthy of respect, having needs and equipped with their own personal expertise. (Brun and Dugas, 2002)

Operational Definition

Reward: A formal, impartial and equitable exchange, A material or financial expression of appreciation that is conditional on results.

Recognition: Recognition is a return on an employee's effort and dedication at work as well as his or her results.

Objectives of the Study

1. Identify the meaning, scope and modes of Rewards and Recognition in Business organization.
2. Find out whether Rewards and Recognition have positive effect on the performance and productivity of employees.

Statement of the Problem

A business organization whether large or small has to be taken forward by efficiency and achievement that manifests itself in the form of tangible results for the business and also gives good rewards to its employees. A very low productivity rate in the business organization definitely hampers the growth of the organizations and jeopardizes its sustainability and survival in the long run. Employee productivity has become a matter of major concern to both the employer and the employees. All the time, only employees cannot be blamed for low levels of productivity in the organization. Employees are the valuable assets of a business organization and in order to keep them motivated some measures should be taken by the organization. The employers should see to it that employees are rewarded well for their hard work and efficiency. Their talent should be recognized and appreciated in order to boost their morale and motivate them to be more productive. The business organization should see that there is a considerable recognition of employee contribution to the organizational productivity. Performance objectives should be set for each and every employee in the organization. Performance appraisals should be conducted periodically. These

appraisals should be based on objective and quantifiable results. The organizations should constantly review and update the range of benefits to meet the needs of the employees. They should also conduct employee attitude survey to know employee's attitude towards their reward system. Employers should see into it that employees are appreciated for extra efforts put in the job they do. Moreover, the promotions should be exclusively based on employee performance in the organization. In some cases, if possible may be profits of the company can be shared among the employees in the form of cash bonuses.

Employee Productivity is a crucial factor in today's modern business organizations. Rewards and Recognition plays a very important role in changing the levels of productivity. The study will be conducted on why and how the rewards and recognition is going to impact on employee productivity. The conceptual framework of this study is constructed around the following research questions.

- Is there any relationship between the employee rewards and recognition and the productivity level of the employees?

The above research question calls for a logical investigation into actual facts and figures. The research study is conducted with a hope that the findings of the research study would definitely contribute to increase the employee productivity both in the manufacturing as well as the service sector. Thus, by keeping in mind all the above said background, it has been planned to undertake this study on impact of employee rewards and recognition on employee productivity.

The dependent variable and independent variables of the study are As follows

- I) Dependent variable: Productivity of the employees.
- II) Independent variable: Employee Rewards and Recognition.

Review of Literature

Human Resource Management

For any enterprise to function effectively, it must have money, materials, supplies, equipment, ideas about the services or products to offer those who might use its outputs and finally people, which is the human resource, to run the enterprise. The effective management of people at work is Human Resource Management, Armstrong (1996). Human Resource Management has emerged as a major function in most organizations and is the focus for a wide-ranging debate concerning the nature of the contemporary employment relationships. Managing human resources is one of the key elements in the coordination and management of work organizations.

Rewards and Recognition

Dr. Prakash and Rajkumar K.R (2015) ^[5], proposed that there is a relationship between the two variables namely rewards and recognition and employee motivation. The main objective of the research paper is to study the impact of rewards and recognition on employee motivation and in turn on employee performance and productivity. The paper also wanted to ascertain the most effective means of rewards and recognition. The company taken for study was Aloft Hotels which have 214 stores across 90 cities and towns across India. The study has adopted a descriptive research design which involves observing and describing the

behaviour of a subject without influencing it in any way.

The study has taken 50 employees by using convenience sampling. Questionnaire was distributed to these employees for data collection. Various statistical tools were used like tabular column, percentage method, chi-square test, correlation analysis and so on. The findings of the study revealed that there is a positive relationship between rewards and recognition and motivation, job satisfaction ultimately employee performance and productivity.

Ali and Ahmed (2009) ^[5], aimed to know the impact of reward and recognition programs on employee's motivation and satisfaction. The study was conducted by distributing a self-designed questionnaire to eighty employees working in Unilever Companies. The Cronbach Alpha was used to test the reliability and validity of the questionnaire. The questionnaire consisted of nine dimensions namely work content, payment, promotion, recognition, working conditions, benefits, personal, leadership and general aspects. The data obtained for the study was analyzed through SPSS. Further, Mean, Standard Deviation and Pearson Correlation was used. The results of the study showed that there is a direct and positive relation between rewards and recognition and motivation and satisfaction which ultimately resulted in improved employee performance.

Limaye and Sharma (2012) ^[6], attempted to find the Rewards and Recognition strategies adopted by the best workplaces. The study has taken nine aspects namely hiring, inspiring, speaking, listening, thanking, developing, caring, celebrating and sharing with respect to organization and employees. A total of 76 organizations from all major sectors and across 11 industries participated in the study. A well-established Trust Index Questionnaire was administered to all the employees. The study concludes that rewards and recognition programs must connect to the emerging needs and expectations of the workforce and link them with the company's overall goals and strategies to be successful.

Schweyer Allan (2011) ^[7], aimed to study the impact of rewards and recognition on employee engagement in the organization. Incentive Research Foundation research showed that more than cash rewards, non-cash rewards have impacted on Return on Investment. The study has taken into account the impact of emotional engagement, CANE (Commitment and Necessary Effort) model of motivation, PIBI (Performance Improvement by Incentives) mode, Incentive-Engagement Model, Incentive Selection Grid were used in the study. The key findings of the study include rewards should be given based on the actual performance of the employees and it should create positive emotions. It recognizes that there are no "one size fits all" solutions for reward recipients. Organization should consider to design an individual incentive plans for each employee on the basis of his capability and caliber.

Dr. Vijayakumar V T R and Subha B (2013) ^[8], aimed to analyze the impact of rewards and recognition on employees job satisfaction and motivation in private banks of Tirunelveli City. The data was collected by using convenience sampling among 184 respondents. Hypothesis were framed for the study. Questionnaires were distributed among the employees. Data analysis was done through SPSS. Descriptive and inferential statistics were also used. The study concluded that there is a positive effect of rewards and recognition on motivation and satisfaction both

impacting employee productivity.

Akafo and Boaterg (2015) ^[9], proposed to study the impact of reward and recognition on job satisfaction and motivation. Primary data was used for the study. The data was collected through structured closed and open-ended questionnaires. A sample of 30 respondents each was drawn from the six private tertiary institutions and one chartered private tertiary institution. Both teaching and non-teaching staff were taken into study. 157 respondents returned the questionnaire properly filled. Cronbach Alpha was used to check the reliability and validity of the questionnaire. Analysis of variance was used to test for differences between the group means at the level of significance of 5%. The study observed a positive relationship between reward and work motivation but no positive relationship between reward and job satisfaction.

Employee Productivity

Employee Productivity is the log of net sales over total employees - an economic measure of output per unit of input. Employee productivity measures may be examined collectively (across the whole economy) or viewed industry by industry. The dictionary defines 'productivity' as the state of producing rewards or results. 'Productive' means fruitful, lucrative and profitable. In this context, productivity is synonymous with output. In scientific literature, 'productivity' is defined as the relationship between output and input; between results or proceeds and sacrifices.

If it involves the ratio between output and a specific part of the input, this is referred to as 'partial productivity': for

example, labour productivity expressed as the amount of production for each labour unit, or the number of labour hours for each product unit. Companies today are forced to function in a world full of change and under various complications, and it is more important than ever to have the correct employees at the correct job with the right qualification and experience in order to survive the surrounding competition. The successful and prosperous future of an organization is dependent on its skilled, knowledgeable and well experienced workforce. It is not only sufficient to have a competitive workforce but the Human Resource should be involved in the decision making as well as management of the business organization.

Research Methodology

The data for study was collected by distributing well designed questionnaire to among 100 employees working in various sectors namely Banking, Education, and Information Technology, hospital, hospitality and also manufacturing sector. The questionnaire was drafted by taking into account various aspects of rewards and recognition strategy of a business organization. The questionnaire was divided into three parts: First part contains all the demographic information of the respondents, Second part contains the items about employee rewards and recognition and the last part contains the items on employee productivity. Likert Five scale was used to measure the respondent's response. Cronbach Alpha was used to check the reliability and validity of the research instrument.

Table 1: Rewards and Recognition

	N	Min	Max	Mean	Std. Dev
Performance appraisals are based on objective, quantifiable results	100	1	5	3.90	0.92
Each employee has performance objectives.	100	2	5	4.13	0.72
There is considerable recognition of employee contribution to the organizational productivity	100	1	5	3.87	0.82
Organization constantly reviews and updates the range of benefits to meet the needs of the employees	100	1	5	3.74	0.96
Organization conducts employee attitude survey to know employee's attitude towards their reward system	100	1	5	3.51	1.07
Employees are appreciated for extra efforts put in the job they do	100	1	5	3.91	0.95
Individuals receive cash bonuses based on the profit of the organization.	100	1	5	3.31	1.27
Promotions are based on employee performance in the organization	100	1	5	3.80	1.09
Rewards and Recognition	100	1.38	5.00	3.77	0.71

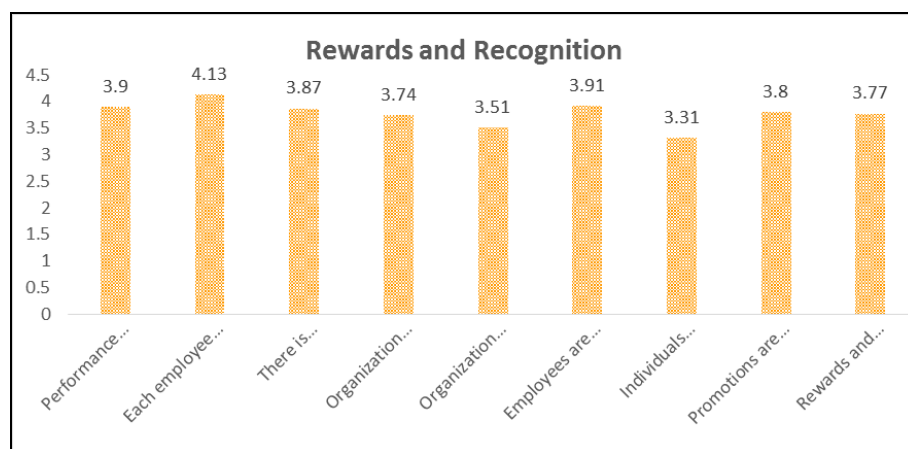


Fig 1: Rewards and Recognition

Table 2: Correlation

Correlations	
Pearson Correlation	
Work Place Environment	
Rewards and Recognition	.831**
Work Place Environment	1
** Correlation is significant at the 0.01 level (2-tailed).	

Findings of the Study

- Analysis showed that 51.7% were in the age group of 22-30 years, 25.2% were in the age group of 31-40 years, 15% were in the age group of 41-50 years and 8.1% in the age group of 51-58 years.
- In the data analysis, 56.8% were male and 43.2% were female.
- 62.8% of the respondents were having work experience of 1-10 years, 23.4% were in experience group of 11-20 years, 10.2% were in the experience group of 21-30 years and 3.6% were having experience of above 31 years
- Data Analysis highlighted that 28.8% were from manufacturing industrial sector and 71.2% respondents from service industry.
- Analysis showed that 8.4% were in the entry level, 50.5% were executives, 24.9% were managers, 6% were senior managers, 10.2% of the respondents were team heads.

Data Analysis highlighted that Rewards and Recognition achieved the overall mean score of 3.77, Each employee has performance objectives achieved the highest mean score of 4.13, Performance appraisals are based on objective, quantifiable results achieved the mean score of 3.90, There is considerable recognition of employee contribution to the organizational productivity, Organization constantly reviews and updates the range of benefits to meet the needs of the employees, Organization conducts employee attitude survey to know employee's attitude towards their reward system, Employees are appreciated for extra efforts put in the job they do and Promotions are based on employee performance in the organization achieved the mean score of 3.87, 3.74, 3.51, 3.91 and 3.80 respectively. While Individuals receive cash bonuses based on the profit of the organization achieved the lowest mean score of 3.31. For all the above constructs STD deviation varied from 0.71 to 1.27.

Correlation analysis shows that employee rewards and recognition is 0.831 positively correlated with employee productivity. This construct is statistically significant at 1% level. Since the significance value is less than 0.01 for the dimensions, the two variables employee rewards and recognition and employee productivity are statistically significant at 1% level.

Conclusion

Rewards and Recognition is a major factor to motivate employees to strive for higher levels of productivity. When the interests of the employees and the business organization meet with respect to rewards, employees are likely to engage in behaviour that goes above and beyond the call of duty and this contributes to organizational effectiveness. This improves both quality of work life and employee productivity. As such instead of designing a reward system which suits every employee, the employers can think of

designing the reward and recognition program based on individual employee's contribution and efforts. This would motivate the employees to work more and in a better way leading to improved employee productivity. Ultimately improved employee productivity would contribute to improved organizational productivity.

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