Impact of Monetary Rewards on Employee Performance and Job Satisfaction  

(An Empirical Study of the Insurance Sector of Pakistan)

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Abstract

This research study is descriptive and quantitative in nature. The purpose of the study was to ensure the impact of monetary and non-monetary rewards on employee performance and job satisfaction in insurance companies of Pakistan. Many Studies reveal that monetary rewards have an impact on employee performance and job satisfaction. The result of this study shows that these monetary rewards have a significant impact on Employee Performance and Job Satisfaction. The increase in monetary rewards has affected positively on the employee performance and job satisfaction. This significant relation is due to factors which vary from individual to individual whether the employee is working in private sector or public sector. Employee performance and Job satisfaction positively monetary rewards and Exports positively correlate with monetary rewards.

Keywords: Monetary Rewards, Employee Performance, Job satisfaction, Insurance Sector.

Introduction:

Insurance plays many important roles of which security is most important. It furnishes well being and security against the misfortune on a specific occasion. An insurance organization is that which offers protection policies to the general public, either by offering forthrightly to an individual or through an alternate source, for example, a worker's benefit scheme. (Investor Words).

An organization’s performance depends entirely upon the kind of work force employed by that organization. In today’s world Human power has become aware of their rights and duties. It is the right of employees to get reward for their work. The most important thing for an insurance company is the devotion and loyalty of its employees, which is achieved if the employees are paid with better rewards. Rewards are highly concerned to overcome dissatisfaction and to increase performance of employees.

Rewards include:

Extrinsic or Monetary rewards are the external or tangible ones. These incorporate a worker's base pay which could be yearly pay, compensation or performance based pay that a worker gets.
Intrinsic rewards are also known as psychological rewards and include appreciation, motivation from employer, positive attitude of employer etc.

Employee Performance is the quantity and quality of work which is expected from an employee. (Business dictionary) An employee’s performance is directly influenced by the quality of rewards provided by the organization, which in this study is an insurance company. An organization’s performance is directly linked with an employee’s performance. The job related activities of an employee and how he/she performs them is very vital in determining a company’s performance.

Job satisfaction is how delighted a person is from the job that he/she performs. It is linked with performance, motivation, absenteeism, mental/physical health and general life satisfaction of a particular employee. Persons identify themselves by their profession; therefore a person’s well being at work is very significant. It is said that “Job satisfaction gets better with age”.

**Objective of the study:**

- To analyze the impact of monetary rewards on employee performance in Insurance sector.
- Find out the mediating effect of Employee Performance on Job Satisfaction.
- To observe the impact of monetary rewards on Job Satisfaction.

**Hypothesis:**

H1: There is no significant impact of monetary rewards on employee performance.
H2: There is significant impact of monetary rewards on employee performance.
H3: There is no significant impact of monetary rewards on Job satisfaction.
H4: There is significant impact of monetary rewards on Job satisfaction.
H5: Employee performance does not mediate the relationship between monetary rewards and job satisfaction.
H6: Employee performance mediates the relationship between monetary rewards and job satisfaction.

**Literature Review:**

(Malhotra, 2007) Portray Rewards as ‘different types of monetary gain, tangible services and benefits a worker gets as a real part of a work relationship’. Without question it is said that every worker needs some return level as an exchange of fulfilling a task. In any organization, Rewards play a paramount part in building and supporting the responsibility among employees that guarantees an exclusive requirement of Performance and workforce consistency (Wang, 2004). Organizational Rewards mean all the benefits i.e. Monetary and Non-Monetary that an employee gets through their job relationship with an organization (Bratton, 1994) (Malhotra, 2007). Rewards are split up in following classes non Monetary Rewards and Monetary Rewards and moreover these are classified into subclasses. (Clifford, 1985). Employees are the human assets of an organization, without human assets an organization cannot achieve its strategic goals and reach to a desired level. Employees do work hard for their organization to reach at a desired level an in
order to do so they need something in return which are Rewards. Rewards have been classified broadly into three categories Monetary, Non-Monetary and social Rewards. However some authors are limited to first two types of Rewards i.e. Monetary and Non-Monetary Rewards. According to (Ahmad, 2010), employees are mostly probable to seem ‘motivated’ and ‘rewarded’ when they understand they are adept to receive equitable pay while considering the allowance of task that they perform. Employees feel themselves motivated and contented when they get equal or more Rewards from their employers in relation to the work they do.

(Wright, 2000) Demonstrated that workers with great mental prosperity perform well in associations than those with poorer mental prosperity, the effects from (Wright, 2000) similarly show that prosperity is a stronger marker of employee performance than job satisfaction. The authors believe that associations requires to have a precise structure to guarantee that performance evaluation is "reasonable" and "fair", and that the rewards framework might as well give a connection between employee performance and organizational objectives through individualized goals and performance criteria (H. Kleiner. Deborah F. Boice and Brian, 1997). Deborah and Brian revealed that performance evaluation of employees must be fair and reasonable plus should carefully match with the objectives of organization. Fulfilled, satisfied employees will make higher client satisfaction and thus absolutely impact organizational performance (Anastasios Palaiologos, 2011).

Several Job Satisfaction studies have found that Job Satisfaction has a strong impact on Job performance, nonappearance, turnover, and psychological disorders. (Andrisani, 1978). Ulmer has found the importance of employee satisfaction that it can enhance benefit, lessen staff turnover and improve responsibility so associations ought not to disregard employee satisfaction and they may as well put genuine consideration on this variable. (Ulmer, 1999). Some theorist found that almost every worker try to find satisfaction in his work, especially if that Job matches his occupational choices he will nearly attain Job Satisfaction. (Jepsen, 2003). According to authors employees are unsatisfied if they don’t have good working environment, rewards systems, supervision and work groups because these factors affected employee satisfaction related to Job and leads to employee turnover.

**Methodology and Theoretical framework:**
This study embraces simply research approach which is quantitative, that is adjusted with the objectives it expects to accomplish. Quantitative methodology has numerous points of interest. First and foremost, it is profoundly organized, which takes into consideration the expense proficient and less monotonous data analysis (Schutt, 2006). The nature of research design utilized within the present study is fundamentally descriptive. This type of research allows the demonstration of event as they regularly transpire furthermore there is no intervention from the analyst. (Bernard, 2005). To empower such a portrayal of frequency, rewards, and percentage distributions, and the methods and standard deviations that have been utilized (Teddie, 2008). A questionnaire was designed as a tool to examine the insight of selected insurance companies of Pakistan (both public and private) regarding rewards, employee performance and job satisfaction. Our study is about the impact of Monetary Rewards on Job satisfaction and Employee Performance. In which monetary is the independent variable and Employee Performance...
and Job Satisfaction are the dependent variables. We also tend to see how strongly Monetary rewards impact Employee Performance and Job satisfaction. Also this study aims to find the mediation relation between Employee Performance and Job satisfaction. Whether the relation is significant between Employee Performance and Job satisfaction or not or whether it is strong or weak or very significant.

**Results:**

**Table: 1**

<table>
<thead>
<tr>
<th></th>
<th>Monetary Rewards</th>
<th>Employee Performance</th>
<th>Job Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary Rewards</td>
<td>Pearson Correlation 1</td>
<td>.654</td>
<td>.810</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>Pearson Correlation</td>
<td>.654</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>Pearson Correlation</td>
<td>.810</td>
<td>.342</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

**Interpretation:**

It can be seen from the results that there exist a positive relationship between the variables. Monetary Rewards and Employee Performance are having a strong positive relationship, as shown from the Pearson’s correlation value that is 0.654 and 2-tailed significance level of the both variables is .000 which means both variables are having a significant relation among them. Monetary Rewards and Job Satisfaction have a strong positive relation among them which is shown by the Pearson’s correlation value that is 0.810; furthermore 2-tailed significance level is .000 which shows that there is a significant relation among the both variables. Employee Performance and Job satisfaction have a weak positive relation between them, as shown by Pearson’s correlation value which is 0.342 and the significance level is .000 which shows that there is a significant relation between Employee Performance and Job Satisfaction.

**Regression and Mediation Analysis:**

**Table: 2 Model Summary**

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.847</td>
<td>.718</td>
<td>.715</td>
<td>2.43093</td>
</tr>
</tbody>
</table>
Table: 3 ANOVA

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2363.319</td>
<td>2</td>
<td>1181.659</td>
<td>199.962</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>927.781</td>
<td>157</td>
<td>5.909</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>3291.100</td>
<td>159</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Dependent variable: Satisfaction

Table: 4 Coefficients

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>Constant)</td>
<td>23.486</td>
<td>1.815</td>
</tr>
<tr>
<td>Monetary</td>
<td>.743</td>
<td>.041</td>
</tr>
<tr>
<td>Performance</td>
<td>-.358</td>
<td>.061</td>
</tr>
</tbody>
</table>

Interpretation:
These results show the value of R, R square, adjusted r square and the standard error of estimate. Here the R Square value is 71% approx. This percentage whether it is high or low is not based on any particular standard. The ANOVA table shows values of regression this ANOVA is different from the simple ANOVA used in statistics. It shows the sum of squares which is the total of regression sum of squares and residual sum of squares. And the overall F-statistics of the given regression model... Basically in ANOVA only the F-Test and the significance level is of concern to our study. This F-test is used to test the hypothesis, whether it confirms or does not confirm the null hypothesis. It is obtained by dividing both the mean squares which are regression means square/residual means square. It shows the collective value of the entire variables which are significantly different or same. It does not explain the individual effect of the variables. The last column shows the significance level; in this model the independent variables Monetary Rewards and Employee Performance have a significant effect (p. <0.05) on dependent variable which is Job Satisfaction. In last table the first column indicates the independent variables and the constant. The constant is not counted as an independent
variable; only the coefficient of constant is taken into consideration. The last column contains the p-value of the variables and their significance (p. <0.05). In this case monetary and Employee performance both are the significant predictors of the dependent variables which is Job Satisfaction.

**Mediation:**

These evidences show that there exists partial mediation between the variables. As there is a significant relation between dependent variable and the mediator, also there exists a direct relation between the dependent variable and independent variable.

**Conclusion:**

The purpose of this study was to figure out that Monetary rewards impact Employee Performance and Job Satisfaction. The conclusion is that Monetary rewards and Non-Monetary have an impact on Employee Performance and Job Satisfaction. They have a significant relationship among them. All objectives of the study were achieved. To achieve competitive edge in the business world, an organization has to flourish its human assets which are its work force and is considered most important for the development of an organization. According to (La Belle, 2005) distinct individuals have distinct insight of Rewards. Such as, few workers address being identified by their foremost as more paying than economic incentives. Apart from descriptive analysis, we came across the following points

1. Job satisfaction varies from individual to individual. For a given situation an individual may be satisfied and for the same situation another individual may not be satisfied.

2. Every individual has set his/her own standards for Monetary rewards.
References:


