

TO STUDY THE IMPACT OF MONETARY AND NON-MONETARY FACTORS ON EMPLOYEE ENGAGEMENT IN IT SECTOR

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ABSTRACT

The purpose of the paper is to find out whether both monetary and non-monetary factors are equally influential when it comes to employee engagement. The study has been carried out on employees of IT sector. Both primary and secondary data has been used to carry out the research. Statistical techniques are used to analyze the data. This study explores the importance of monetary and non-monetary factors (rewards) for development of employee engagement. It is clear from the research study that encouragement and appraisal or reward system for the employees resulted in higher engagement which ultimately leads to higher employee retention rates, productivity, and job satisfaction.

Keywords: Monetary and Non-Monetary factors, Employee Engagement, IT sector.

INTRODUCTION:

The challenge today is not just retaining talented people, but fully engaging them, capturing their minds and hearts at each stage of their work lives. Employee engagement is buzzword nowadays. Organizational success to a great extent is dependent on employee engagement. Not Employee engagement leads to retention, higher productivity and loyalty among employees and it is a key link to customer satisfaction, company reputation and overall stake holder value. Thus, to gain a competitive edge, organizations are looking to adopt practices to improve employee engagement and commitment. Employee engagement is defined as “the emotional attachment of an employee with his/her organization, how hard they work and how long they stay as a result of that attachment. The need is also to identify the factors which contribute to employee engagement. These factors include both monetary and non-monetary factors. Monetary factors enhance the direct satisfaction of employees and non-monetary factors are helpful for the recognition of employees and that recognition is a motivational tool for the employees and leads to the work engagement (Burgess & Ratto, 2003).

Stakeholder theory asserts that companies have a social responsibility that requires them to consider the interests of all parties affected by their actions. The corporation is socially responsible for utilization of its resources with such effectiveness, which is beneficial for society and for generation of justified and real nature benefits for stakeholders. Monetary incentives can boost motivation, but non-monetary incentives are more effective motivators because these incentives have an intrinsic motivational impact on the workers. So, workers who are intrinsically motivated naturally enjoy their work or job. Non- monetary incentives are rewards other than money, for instance recognition, training and development for employee’s learning needs, and flexibility of working hours.

Non-monetary incentives provide a strong sense of security and stability of employment for the employees. When employees come to know that their jobs are secure and stable, they work hard to get more recognition and respect. In this way, they are motivated and inspired entirely by their inner self. The organizational performance can be raised to the highest level by offering non-monetary rewards to the workers/employees (Heyman and Ariely, 2004).

Monetary and non-monetary rewards are the tools to motivate the employees to be engaged with their organization and this engagement results in better performance from employees in the organization.

LITERATURE REVIEW:

The Gallup Organization, potentially the most widely recognized name associated with employee engagement due to their bestselling book, “First, Break All the Rules,” defines engaged employees as those who, “work with a passion and feel a profound connection to their company” and “drive innovation and move the organization forward” Gallup Study, (2006).

The research conducted all over the world reveals that various monetary and non-monetary factors affect engagement of an employee in an organization. A few of them are discussed here.

Opportunities for Growth:

Organizations with highly engaged employees provide their employees with ample opportunities to learn skills, develop abilities, acquire knowledge and reach their potential. Career development practices help organizations retain talented employees and also provide personal development opportunities. Employees tend to invest in companies that invest in them by planning for their career development. Career development is a global factor in employee engagement. Also adequate level of employee development via training, skills and learning can result in making employees more engaged with respect to the job and the organization.

Leadership & Mentoring:

Employees show more engagement towards the organization when they see themselves getting praised by their immediate managers. Leadership dimensions that are found to be most influential are making up a good mentor or manager and articulation of the vision. In case of entrepreneurial firms the leadership needs to be visionary, future oriented and should involve

the employees in their vision in order to increase employee engagement. It was also found that a key driver to employee engagement is the employees thinking that their leadership is committed. The quality of leader member exchanges between supervisors and employees affect the engagement levels of the employees.

Company Values, Policies and Practices:

HR practices and policies play an important role indenting the relationship between the employees and employers. Employees should be made to feel that their companies' values are clear and unambiguous in order to generate higher engagement. Value it amongst other was also found to be an antecedent to employee engagement.

Communication:

In a study of how reward programs impact employee engagement it was found that employee's understanding of the strategies , programs and systems in place for compensation lead to greater level of engagement among them. Long-term engagement starts with good communication between employer and employees as well as among co-workers.

Respectful Treatment of Employees & Empowerment:

Research shows that successful organizations tend to be respectful also to their employee's contribution to the organization and qualities, regardless of the employees' (Arti Chandani, Mita Mehta)

A culture wherein respect is valued results in better engaged employees. A managers' attitude of respect towards the employee and fair treatment of the employees comprehends if a manager would listen to the ideas or suggestions of the employee, or whether makes the employees feel valued or whether they can communicate effectively with the employees. Involvements that come in contact with normal practice play the role of motivators and make the employees feel valued and thereby enhance engagement.

Talent Recognition:

Few studies reveal that non-financial motivators are usually effective in building employee engagement in long term. The precursor rewards and recognition is correlated positively with organizational engagement. Senior managers must give identity, autonomy constructive feedback and task significance to the deserving employees.

Fair Treatment & Appraisals:

The employee's engagement tends to be higher when superior provides them with fair and equal opportunity for advancement and growth for all employees. Egalitarian pay structures also impact employee's engagement level in the organization.

An organization following an appropriate appraisal technique, known to be unbiased and transparent, tends to show higher level of employee engagement.

Competitive pay structure:

The organization should have a competitive pay package structure to enhance the engagement levels of its talent.

Incentives & Benefits:

Monetary incentives such as increased base pay, cash bonuses, stocks or stock options apart from salary play a very vital role in engaging employees. (Arti Chandani, Mita Mehta)

Welfare measures:

Welfare measures such as education for children, medical facilities, accommodation, recreational facilities etc. were found to be precursors to employee engagement. Engagement comes into the picture when the employee develops an emotional attachment with the organization as a result of the benefits provided for him and his family by the organization.

From the above mentioned factors first seven can be treated as non-monetary and remaining are considered to be monetary factors impacting employee engagement.

Some more factors like effective talent management, nature of job, ethical standards and emotional factors are also considered to engage employees.

Lazear (1986) also positively suggests that by adding financial rewards to the compensation of employee for the sake of motivation can attract more geared workers to the organization. By other point of view, Lazear (2000) also described that introduction of monetary rewards could

gain extra efforts of the employee to that extent where the marginal value added is equal to the marginal cost paid for that additional work. Lazear (2000) showed a positive relation between employee engagement and rewards and firm performance.

Intrinsic rewards have gained significant importance in recent years (Thomas, 2009). They mention managerial support and their contribution to raise the level of intrinsic motivation in employees by contributing in intrinsic rewards, as building blocks. They state that, intrinsic rewards are based on the positive feelings that employees get from their work engagement. According to Thomas (2009), these intrinsic rewards reinforce the self-management efforts and motivate employees to be engaged with work. An Implementation of intrinsic reward Creates positive feelings and experiences among employees and management.

Shives and Scott (2003) suggested the gain sharing approach to discuss the impact of rewards on employee motivation and engagement towards the organization. Through gain sharing approach financial bonuses can enhance the productivity of employees and employees should be rewarded with financial incentives for extra efforts. This approach mainly focuses to decrease the costs for a portion of that reduction should be converted into bonuses to employees to motivate them.

On the other hand, profit sharing is different from daily basis productivity gain. Profit sharing bonuses are annually paid bonuses and most of the employees often believe, managers will forget their promises and would not pay these bonuses (Burton Kelli, 2012).

Saks (2006) conducted a study to examine the employee engagement role in service sector employees in eight different European countries. They focused on four economic sectors, retail trade, finance & banking, telecoms, and public hospitals. They observed country wise differences in the matter of employee engagement. The engagement of employees is based on job demands and job resources, for example job autonomy and social support. Social support includes different types of motivational factors like job enrichments, job empowerment and monetary and non-monetary rewards. They also proposed that engagement of employees towards organization can be achieved by implementing and creating a socially supportive environment.

Whereas the job demand negatively relates to the work engagement. They represent the work engagement as the outcome of job demand and job resources.

Kube et al. (2008) credited more output in non-monetary gift as compared to monetary gifts. Non-monetary gifts contribute a great deal to employee satisfaction and this satisfaction shows long-term results. Kube et al. (2008) also carries the social exchange phenomenon.

In his study, results show the higher impact of non-monetary incentives on social exchange theory compared to monetary rewards. In another study Kube et al. (2006) describe that monetary rewards are beneficial in short-term period and ineffective for long-term period. He also states that non-monetary rewards have a significant and consistent effect on their satisfaction.

The above mentioned literature provided strong grounds for the hypothesis of the study and from the above discussion, it is very much evident that monetary and non-monetary rewards positively influence employee engagement; which, in turn, affects the firm's performance

OBJECTIVES:

- To understand the concept of employee engagement.
- To identify the factors (Monetary and Non-Monetary) of employee engagement.
- To study the impact of these factors on employee engagement.

METHODS:

Google form was circulated at select IT Companies. Employees were requested to fill-up the questionnaire. Approximately eighty responses were received after circulating to hundred respondents. Neither the name of the respondent nor that of the company was recorded for ensuring confidentiality.

Sample size – Eighty (80) employees from select IT companies

Instrument used – A questionnaire was designed in Google form. It was divided into following parts –

a. Demographic Profile

b. Identify monetary and non-monetary factors of employee engagement.

c. Impact of monetary and non-monetary factors on employee engagement.

The questionnaire had following features –

- Responses were sought by way of a selection from multiple choice options.
- The employees were asked to rate the monetary and non-monetary factors which have an impact on employee engagement.
- In seeking agreement or disagreement on a particular issue, the sequence of responses was designed as under –

1=Strongly Disagree

2= Disagree,

3= neither Agree nor Disagree,

4=Agree,

5=Strongly Agree.

Researcher is hopeful that only genuine and confident responses have been extracted.

eliability of questionnaire:

Reliability test of all the parts of the questionnaire was done using Cronbach’s Alpha and other tests using a MS Excel Calculator. All the parts of the questionnaire yielded Cronbach’s Alpha scores in excess of 0.90.

Hypothesis set:

H01 There is no impact of monetary factors on employee engagement.

HA1 There is an impact of monetary factors on employee engagement

H02 There is no impact of non-monetary factors on employee engagement.

HA2 There is an impact of non-monetary factors on employee engagement.

RESULTS:

Profile of the respondents:

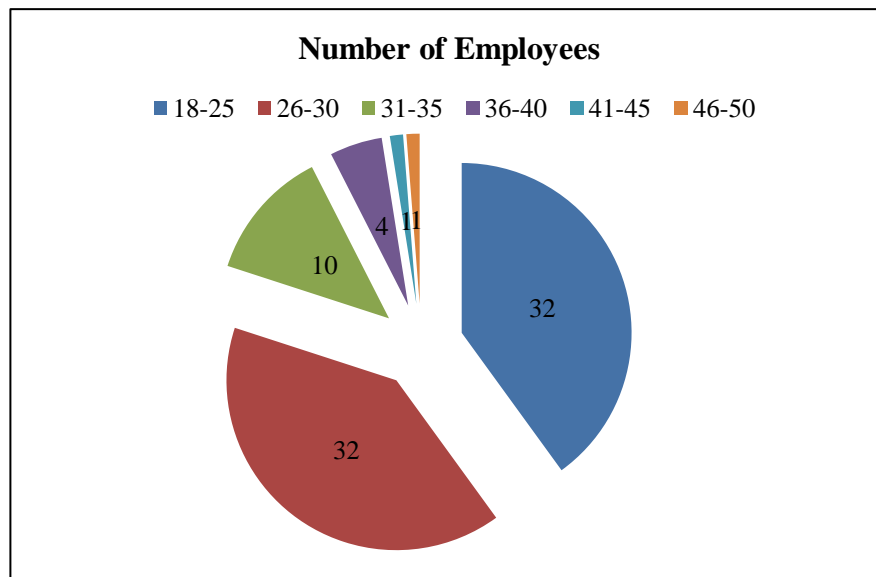


Diagram 1: Age profile of the company employees surveyed.

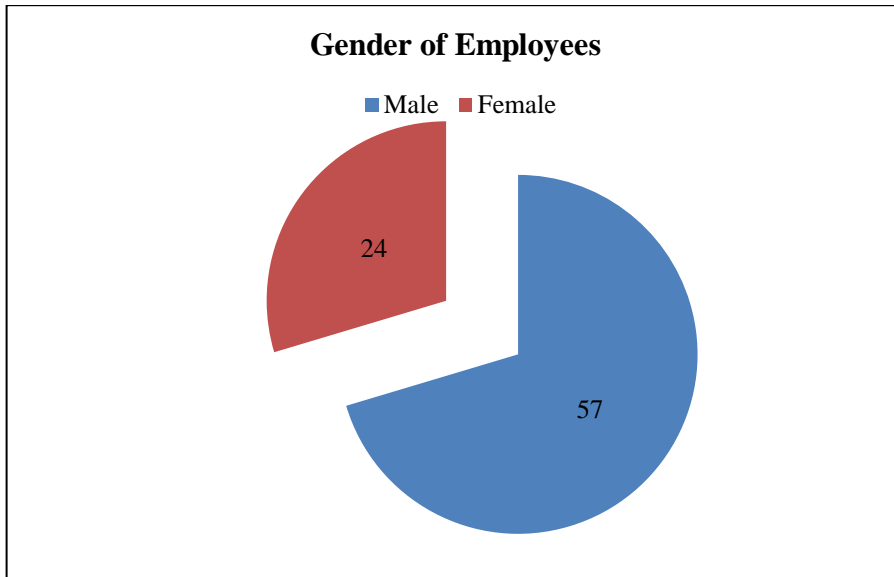


Diagram 2: Gender profile of the company employees surveyed.

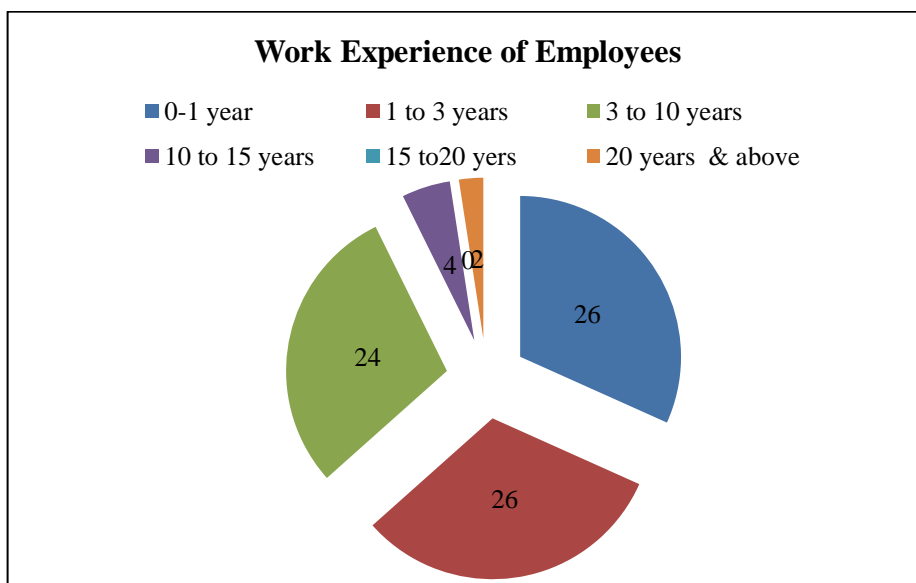


Diagram 3: Work-Experience profile of the company employees surveyed.

The monetary factors which impact employee engagement are:

- Competitive salary
- Incentives
- Benefits
- Welfare measures
- Financial rewards for financial success

The Non-monetary factors which impact employee engagement are:

- Opportunities for growth
- Leadership & Mentoring
- Talent Recognition
- Company Values, Policies & Practices
- Empowerment

The employees were asked to rate on the Monetary and Non-monetary factors of employee engagement. The responses can be summarized as below.

Monetary Factors of Employee Engagement:

Table 1: Summary of responses for the set of Monetary Factors

| | Competitive salary(1) | Incentives(2) | Benefits(3) | Welfare Measures(4) | Financial Rewards(5) |
|------------|------------------------------|----------------------|--------------------|----------------------------|-----------------------------|
| Agree | 78 | 75 | 72 | 71 | 74 |
| Disagree | 2 | 5 | 8 | 9 | 21 |
| Agree % | 97.5% | 93.75% | 90% | 88.75% | 92.5% |
| Disagree % | 2.5% | 6.25% | 10% | 11.25% | 7.5% |

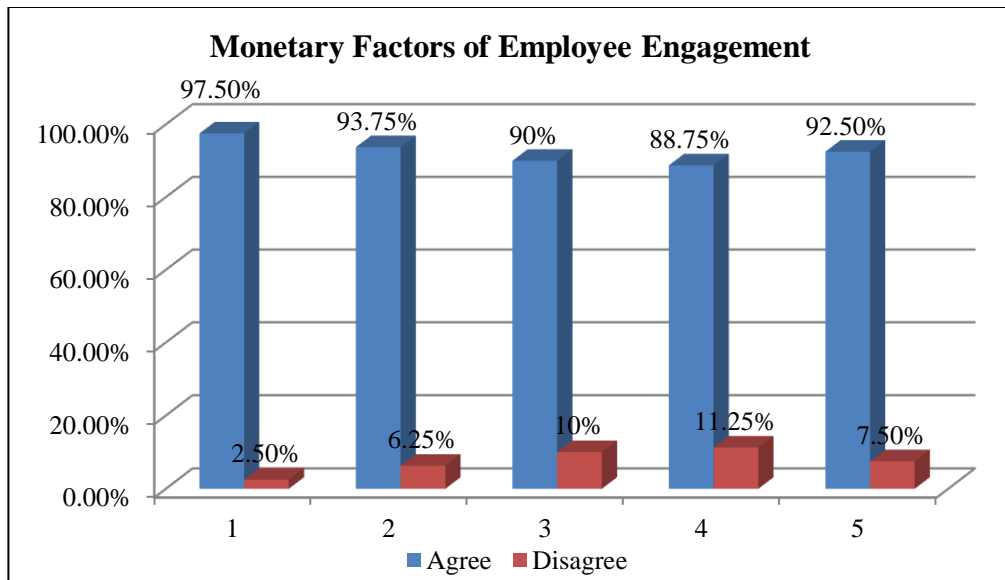


Diagram 4: Monetary factors of employee engagement surveyed

Non -Monetary Factors of Employee Engagement:

Table 2: Summary of responses for the set of Non-Monetary Factors

| | Opp. for Growth | Leadership & Mentoring | Co. Policies & Practices | Talent Recognition | Empowerment |
|------------|------------------------|-----------------------------------|-------------------------------------|---------------------------|--------------------|
| Agree | 77 | 75 | 73 | 71 | 72 |
| Disagree | 3 | 5 | 7 | 9 | 8 |
| Agree % | 96.25% | 93.75% | 91.25% | 88.75% | 90% |
| Disagree % | 3.75% | 6.25% | 8.75% | 11.25% | 10% |

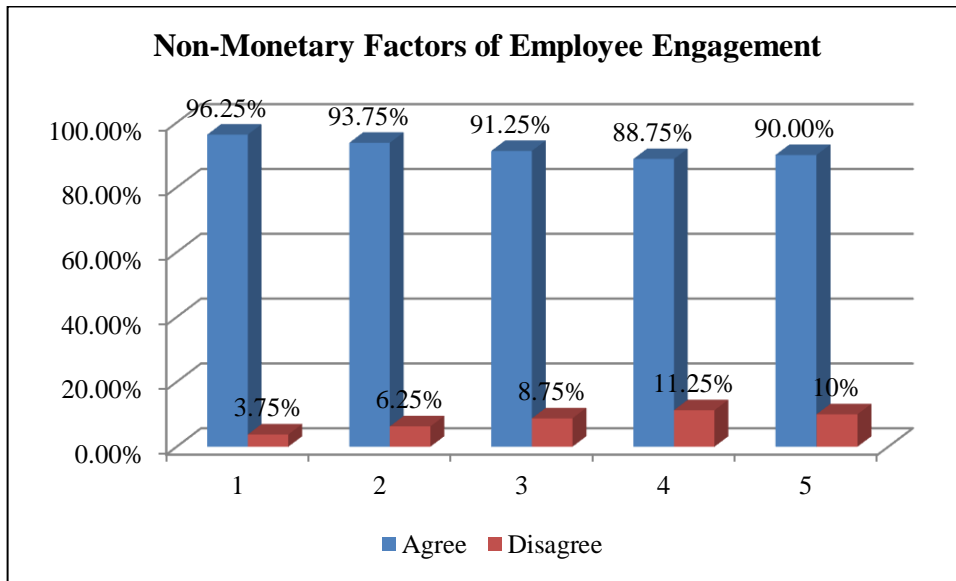


Diagram 5: Non-Monetary factors of employee engagement surveyed

All the five dimensions as discussed earlier for both monetary and non-monetary factors were tested at 95% confidence level against a sample average of 50% agreement. (Meaning that it is assumed that 50% would agree.) In all the cases the null hypotheses were rejected indicating that the scores from the responses are significant and not by chance. There is an overwhelming agreement on all the five dimensions of Monetary and Non-monetary factors of employee engagement.

DISCUSSION:

From the study it is clear that Monetary and Non-Monetary factors are equally influential when it comes to employee engagement, – the need for being realistic and rational when it comes to employee engagement. The learning’s are that the influence of all these factors varies as per the profile of the employee because different employees lay different emphasis on these variables impacting engagement. These variations may arise due to variations in individual and job characteristics, gender diversity, ethnic diversity etc. Some of the suggestions in this paper include different employee engagement approaches for new employees like strong induction programs, rigorous training and development programme, certification programme and giving them a realistic job preview. Some employee engagement activities proposed for the existing employees were reward schemes, communication activities, team building and leadership activities. It is important for firms to invest in good leadership and management development programs, well designed communication based programs, sharing of vision and mission and lastly creating opportunities for interaction. Hence the suggestions from the study can be used to target employees that are disengaged/ or facing low engagement levels, after understanding the workforce profile of employees.

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