REWARDS FROM THE PERSPECTIVE OF EMPLOYEES AND MANAGERS

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Abstract

Reward management should be considered as the main concern of managers and human resource management due to challenges of new investments (talent utilization and productivity). This study aims to investigate the dimensions of reward from both standpoints of managers and employees. In this research project, the significance and priority of rewards by employees have been examined in line with the reward model designed by structural-interpretive modeling by managers and supervisors. The model presented in this study can be applied as a foundation for further research. The results indicate that financial rewards have attracted more attention from both standpoints and work-life balance is of remarkable importance for employees.

Keywords: compensation, employees, managers, payment, rewards.
JEL Codes: MOO, M12, M52.

Introduction

The consequences of critical events such as the Covid-19 virus have forced many governments and organizations to reform their human resource management systems in the last decade and it requires adopting new approaches and changing the mindset of senior managers in human resource management policies such as rewards, and employment, selection and promotion (Kahya, 2019). Compensation is one of the main elements of the employment relationship between individuals and organizations. Although it imposes the highest operating cost on many organizations, it is a tool to increase organizational performance and sustainable competition (& Lovorka, 2019 Ivana). An appropriate reward management system helps

business owners and managers to have a more active and motivated workforce, significantly enhance employees' performance and create a more active workforce (Mabaso, 2018). It has been argued that employees' satisfaction with their job and readiness to stay in the organization depend on organization's reward packages (Anthonia, 2019). Reward can affect the strategies to increase organizational and employee productivity. Thus, it is necessary to design a reward mechanism to help motivate the required talents in organizations (Gulyani & Sharma, 2018).

The term "reward management" suggests that it is possible to manage the benefits given to employees as a reward. Thus, reward management can be defined as the

process of creating and implementing strategies, policies and systems that help the organization achieve its goals by increasing the motivation and commitment of individuals (Hendijani et al, 2016). Total rewards are more than just a salary, and it is a complete package of payments to employees. Total rewards can be defined as all the resources available to employees that the employer uses to attract, motivate and retain employees. Traditional approaches to rewards rely on information about what people do, length of their employment, and the relationship between what they receive and what other people in the organization receive. Flexible approaches allow managers to give reward for employees for their skills, higher performance, and greater participation in organizational success.

Gürerk et al (2018) state that rewards may be monetary, such as bonuses or salary increases, or they can be non-monetary, such as a better work environment or car. Non-monetary rewards can lead to employee confidence and satisfaction but are more difficult to implement (Oke et al, 2017). Darma & Supriyanto (2017) demonstrate that reward consists of two components: 1- Financial reward 2- non-financial reward. Financial rewards can be divided into direct compensation, base payment, competence payment, incentive payment, bonuses, commissions, dividends, variable payments, including savings programs and annual stock purchases. Indirect rewards include benefits, namely health insurance, life insurance, pensions and payments outside working hours such as vacation plans, annual leave and maternity leave, vehicles, office space and parking. Non-financial rewards can be related to jobs such as jobs with interesting duties, challenges, responsibilities, cognition and sense of success and related to the work environment as the right policies, competent supervisors, joyful work atmosphere and comfortable work environment (Darma & Supriyanto, 2017). Total rewards include variable components from tangible to intangible non-monetary items. (Rai et al, 2019). In a research entitled "Variable payment system approaches", Hernandez

referred to three types of rewards and investigated their use in Finland, Portugal, France, Asana, Romania and Poland. These three types of rewards included 1. Annual bonuses: They are paid once annually based on the performance of the organization. 2. Regular bonuses: They are paid with the aim of retaining organizational elites and they can be personal rewards in the form of cash payments, rewards for the development of competencies, special actions, etc. 3. Productivity bonuses: They are paid on a seasonal basis to improve productivity and performance (2015 Hernandez).

Based on the Herzberg's two-factor theory, the financial elements of reward for employees are considered as hygiene factors, the presence of which in the reward package of companies does not cause employee satisfaction, while lack of these elements cause dissatisfaction among them. In contrast, non-financial elements of rewards are considered as motivational factors for human resources, so that their presence in reward packages will increase individuals' satisfaction in the individual, organizational and social dimensions in the future. Human capital is a combination of mental strength and employees' experience as a source of competitive advantage that cannot be imitated by competitors. Human capital theory advocates the recruitment, employment, repayment and development of individuals in organizations. Organizations may decide to pay employees based on their knowledge and skills, which is useful for knowledge-based organizations and high-tech industries (Kumar & Dhiman, 2019). In expectancy theory, motivation is likely to be when there is a perceived and definite relationship between an action and outcome, the result of which is a criterion for giving reward. This theory explains why employees are confident that they can grow and stay in the same organization, or seek to develop in another organization by leaving it. Based on efficiency wage theory, sharing profit and the ability to pay the decision to pay a certain level of wag depends not only on the level of market payment but also on the company's decision to

attract and motivate employees Okeke & Ikechukwu, 2019).

Damages caused by employees' dissatisfaction with rewards reduce the quality of work life, mental health, stress, absenteeism and turnover, and negligence in doing the tasks, which will have a negative impact on job and organizational performance. Organizations aims at achieving success in today's global market should shift from the traditional approach of reward, which includes only salaries and benefits, towards a comprehensive reward approach that includes non-financial reward (Tanford et al, 2018).

Designing a reward structure is a complex task. Creating a balance between direct monetary rewards and indirect benefits and deciding which benefits should be included in the package is one of the most important decisions of the reward system. Designing a reward system should focus not only on the methods used to reward employees' performance, but also on factors such as the combination of short-term and long-term incentives and the importance of team work and organizational conditions. Also, companies should pay attention to the internal structure, including improvement of internal control quality (Hong, 2017).

The success of a reward model depends on whether it concerns the needs of employees, gives them the right to choose, and directs toward creating an employer brand over the long haul. This model ought to be the perfect match for and best integrated with the culture of the organization and work processes. Furthermore, it should be in line with business and human resources policies, methods, and strategies (Prouska et al, 2016)**.**

Researchers have examined employee reward in various ways. Despite a wealth of research, books, and guidelines in this field, these sources and findings are mostly viewed as an external criterion only. The key focal point ought to be on the internal and corporation-specific factors (Magnan and Martin, 2018). For this purpose, the

significance and priority of rewards by employees have been examined in line with the reward model designed by structural-interpretive modeling by managers and supervisors. This study aims to investigate the dimensions of reward from both standpoints of managers and employees.

A key issue is whether the reward model designed by managers meets employee expectations and can meet their needs.

Research methods

This study aims to investigate the dimensions of reward from both standpoints of managers and employees. The path analysis model and Smart PLS software are used to confirm the proposed model, obtain quantitative estimates of causal relationships between variables, and test hypotheses. Path analysis was first introduced by Wright (1921) as an application of multiple regression analysis and has become popular in recent years. The steps taken to perform the path analysis are:

1-Drawing the interrelationships of variables in the form of a graph;

2-Displaying the direction (direct or inverse) of the assumed effect of each of the variables on each other in each of the paths;

3-Performing analysis to obtain path coefficients for each path;

4-Comparing the obtained path coefficients with the strength and direction of the assumed paths.

5-Evaluating the fit of the causal model with the data based on the results of the analysis.

In terms of nature, this research is descriptive-survey and in terms of purpose is applied, which collects data through field research. The data collection method in this study was a combination of library and field studies and the data collection tool was a review of documents, interviews, and questionnaires that had good validity and reliability. The statistical population of this study consists of two groups. The first group is

the academic experts of Bahonar university, Islamic Azad university and bank managers in Kerman who have at least a master's degree in management and have more than 20 years of employment history. The sample was selected by purposeful sampling and a total of 26 people. The second group is the employees of bank branches in Kerman who were selected using a stratified random sampling method. In this method of sampling, the samples are classified in categories that are more homogeneous in terms of variable traits, so that their intra-group changes are less. Then, a number of samples are selected from each category. In this section of the study, the statistical population consists of all 147 bank employees in Kerman. The sample size was determined at 75 people using Cohen's table, and an online questionnaire was distributed.

Reliability was assessed using Cronbach's alpha. The value of the tests demonstrates that the questionnaires have high reliability (see Table 2).

Table 2. Reliability of the factors

Factors	Cronbach's alpha	Number of questions per variable
Performance-based payment	0/832	5
Individual-based payment	0/746	3
Job related payment	0/818	9
Constant benefits	0/961	9
Inconstant benefits	0/912	11
Social reward	0/953	6
Developmental reward	0/921	5
Environmental reward	0/901	6
Work-life balance	0/910	5
Job content reward	0/954	5
Affiliation reward	0/937	6
Self-determined reward	0/949	4

The significance and priority of rewards by employees have been examined in line with the reward model designed by structural-interpretive modeling by managers and supervisors. The final model of employees' reward, which has been shown in figure 1, includes 6 levels. The levels indicate financial and nonfinancial factors of rewards. 16 hypotheses have been formulated in light of the final model.
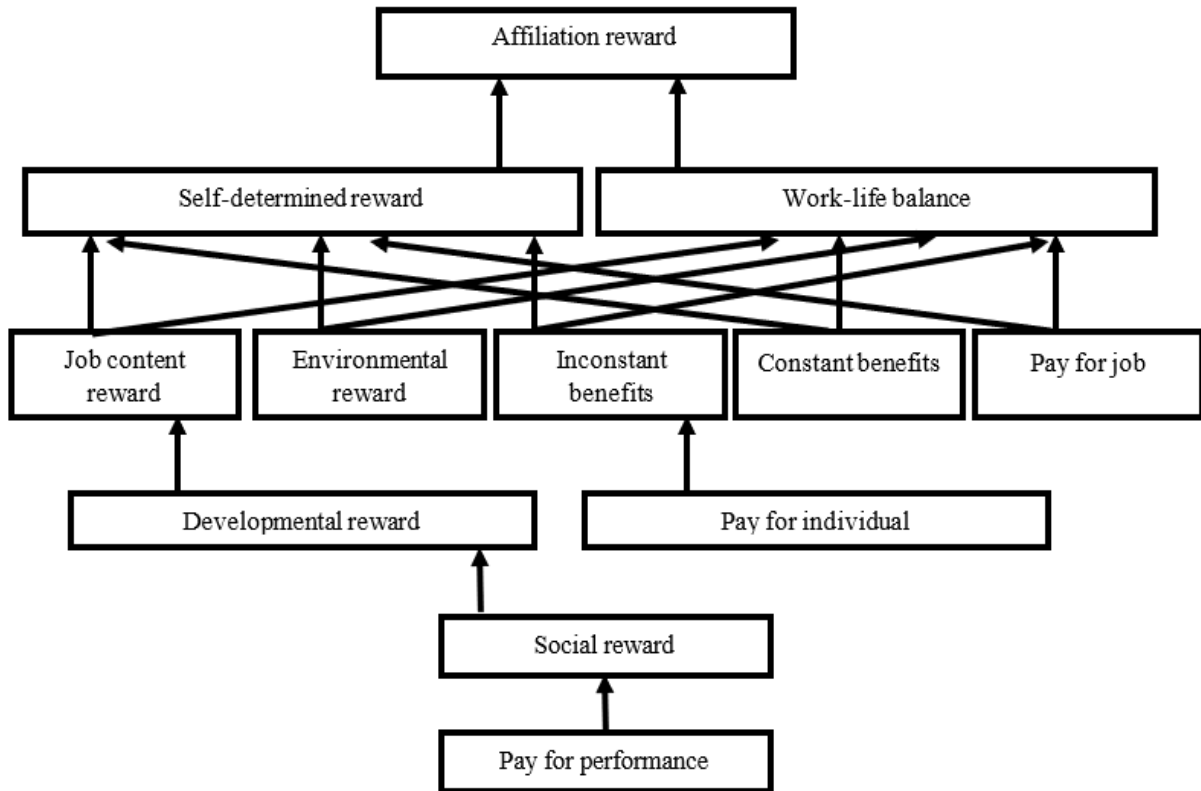
Figure 1. Employees reward model (Mirhosseini Vakili, 2020)

Results

The results indicate that financial rewards have attracted more attention from both standpoints and work-life balance is of remarkable importance for employees. Inconstant benefits are important from both a managerial and employee perspective. In this research, the possible scholarships for employees have a relatively high influence on justifying inconstant benefits.

Given that the p-value of the test (0.001) is less than the significance level (0.05), then

the null hypothesis is rejected. The claim that the ranks of the classes are the same is not accepted. Therefore, this claim is not accepted that the ranks of the classes are the same. The highest rank among the components of employees' reward factors in the study population is the performance-based payment component. In the following categories are the components of work-life balance, job-based payment, and individual-based payment (see Table 3).

Table 3. Ranking of reward factors from the employees' standpoint

Factors	Rank mean	Rank value	Chi-square test	p-value
Performance-based payment	9/99	1		
Individual-based payment	8/97	4		
Job related payment	8/98	3		
Constant benefits	4/92	11		
Inconstant benefits	8/40	5		
Social reward	7/23	6		
Developmental reward	6/53	7		

Environmental reward	4/93	10	216/934	0/001
Work-life balance	9/01	2		
Job content reward	5/80	8		
Affiliation reward	4/40	12		
Self-determined reward	5/45	9		

To evaluate the overall fit of the proposed model, the Goodness of Fit (GOF) was used. Two indicators of average communality and coefficient of determination (R^2) are used to calculate it.

$$GOF = \sqrt{average\ (Commonality) \times average\ (R^2)}$$

The three values of weak, medium, and strong for GOF are introduced, which are 0.01, 0.25, and 0.36, respectively, and obtaining the value of 0.660 for GOF shows a very strong fit of the model.

The hypothesis is confirmed if the t-test is greater than 1.96 or less than -1.96 (at an error level of less than 5%) and when the t-test is greater than 1.64 or less than -1.64 (at an error level of less than 10%). The findings of the research, while confirming the proposed research model, show that 16 research hypotheses are acceptable. The highest path coefficient (β=0.863) is related to the second hypothesis, which shows that 74% of developmental reward changes are explained by social reward. The lowest path coefficient (β = 0.145) is related to the second hypothesis, which shows that 2% of changes in the work-life balance are explained by constant benefits (see Figure 2).
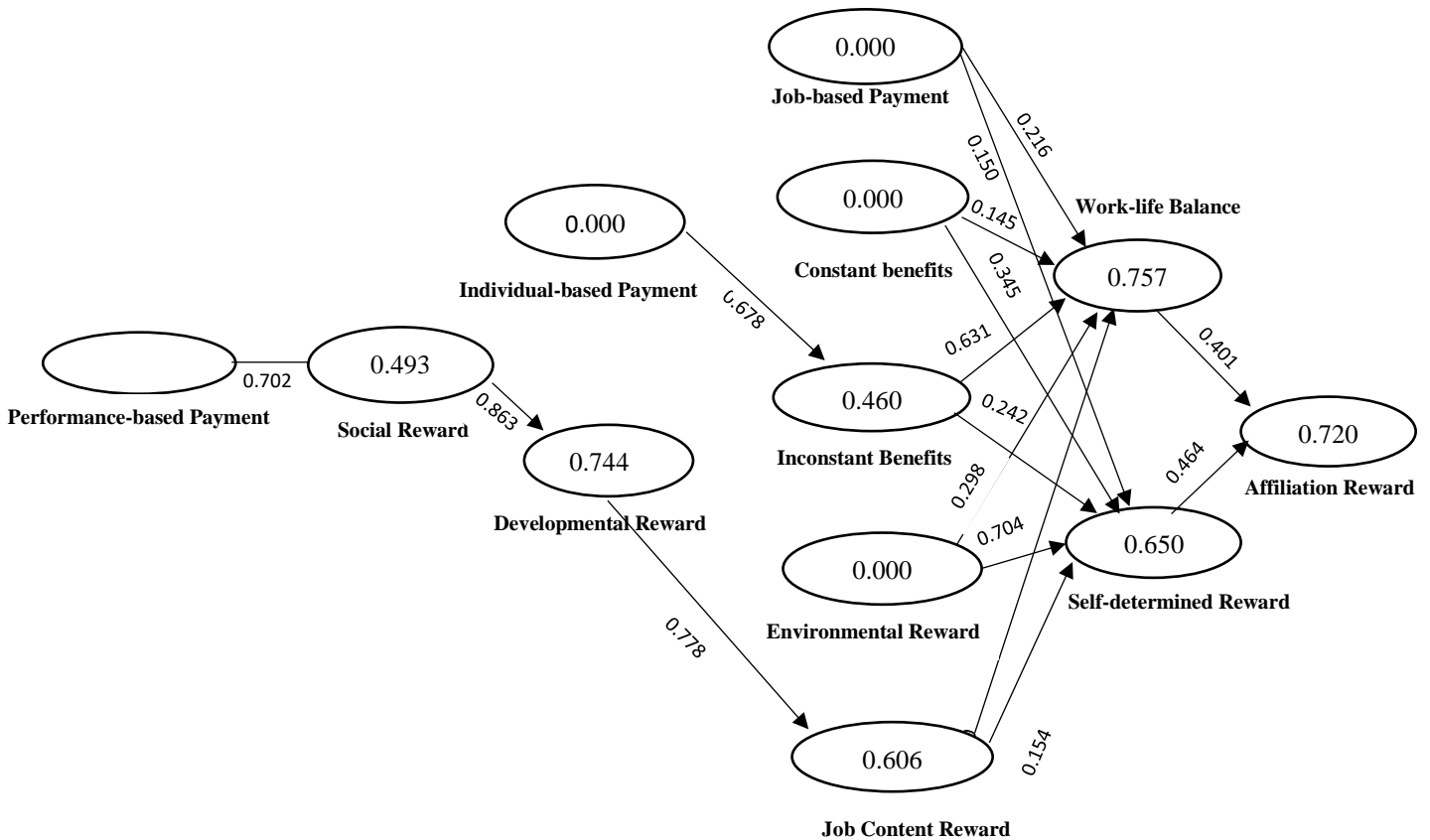

Figure 2. Path coefficients of reward model

Conclusion

Among the human resource management duties, the reward system can have a significant impact on employees' decisions to demand for a job, continue to work or be more productive. Designing a reward model would flourish when it focuses on the demands of employees, gives them the right to choose, and aims to set up an employer brand in the long run. This model ought to be in the best fit and integration with the culture of the organization and work processes. Additionally, it has to be in line with other policies, approaches, and strategies of business and human resources.

Given that the living culture and standard of various societies have unique indicators for work and life quality, the reward system of each organization ought to be designed and implemented in line with the conditions of the external and internal environment. There's no such thing as the best payment system. And each geographical location, different labor market condition, various culture, different types of strategy and technology, and other specific factors require their system.

Some rewards are a prelude to other rewards. Pinpointing the rewards that create the other rewards and are most influenced by the other rewards would be very beneficial to senior management to successfully and effectively use the reward. Thus, in this research, reviewing the literature, and interviewing managers and experts of the banking industry, we were able to identify, select and approve 12 barriers. Then, we discovered the hidden structure of these rewards using structural-interpretive modeling, and afterward, we categorized them into six levels. From the perspective of managers, and according to the final model, financial factors are the most effective factor and from the perspective of employees, these factors are prioritized.

Financial rewards can improve employee motivation and performance, since they can meet a wide range of low-level and high-level needs. Financial rewards can be a powerful driver for employees' performance and help attract and retain top employees, since they help meet various basic and high-level needs. For example, financial rewards provide tools to increase people's welfare and help to meet the higher levels needs and belonging to groups through paying for leisure activities with friends and colleagues. Employees can use financial rewards to buy credit symbols such as larger houses (which meet the need for higher levels and being respected), training and development or higher education (which meets the need for a higher level of skills acquisition). Moreover, financial rewards are often valued as a symbol of one's social face and confirmation of his or her success. Higher payment compared to competitors in addition to motivating employees allows organizations to attract and retain people with the highest levels of performance.

Pay for performance is the most powerful financial factor in this article. Performance-based payment (individual-team-organizational) can contribute a significant role in promoting the performance of organizations. And accurate evaluation is the key to a successful merit-based payment program. For this type of payment, the following should be considered: 1-A very accurate performance appraisal system is needed in the organization to know what kind of performance deserves to be rewarded. 2-Organization officials should correctly determine what rewards are important and valuable to whom. 3-The relationship between better performance and receiving reward should be clarified for the employees 4-Employees should trust their supervisor. Such trust is necessary because the reward will be effective as a motivating mechanism when employees are ensured that their good performance will be rewarded and the supervisor will fulfill his or her promise.

From the standpoint of employees, work-life balance is the second most important factor. Recognizing individuals' needs outside the workplace and creating more flexible work

settings, in work-life balance policies, is their reward. Certainly, individuals are not rewarded simply for staying at work after the usual working hours. What matters is what they offer, not how much they work. What gives employees a better ability to balance work commitments with their personal life goals or responsibilities is considering work-life balance in reward.

Reward, from the perspective of the managers, is the primary cost of doing business that ought to be supervised. It is a sort of investment that ought to have enough efficiency relating to employees' attitudes, skills, behaviors, and organizational performance. From the employees' standpoint,

what has a considerable influence on living standards, status and security is payment. Along with payment, the approximately indirect methods of rewards have a major impact on employee welfare. These indirect ways include Health care, annual bonuses, and other benefits.

On the whole, the development of a reward model should be based on the reward strategy derived from the business strategy, based on clear and measurable criteria and using the opinions of managers and employees. Establishing any general reward model without spending time and money and without strategic planning seems to be naive.

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