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# Bridging the Theoretical Gap in the Study of Reward and Employee Wellbeing

\*Nur Hanani Muhammad<sup>1</sup>, Shafinar Ismail<sup>2</sup>, Mastura Abdul Roni<sup>3</sup>, Mohd Samsuri Ghazali<sup>4</sup>

<sup>1</sup>Faculty of Business and Management, Universiti Teknologi MARA, Shah Alam, Selangor, Malaysia

<sup>23</sup>Faculty of Business & Management, Universiti Teknologi MARA, Cawangan Melaka Kampus Bandaraya Melaka, Malaysia

<sup>4</sup>Faculty of Business & Management, Universiti Teknologi MARA, Cawangan Raub, Pahang, Malaysia

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## ABSTRACT

Employee wellbeing has become an important area of interest in human resource management and organisational psychology, particularly in the public sector. This conceptual paper examines how both rewards, financial and non-financial, influence the wellbeing of public sector employees in Malaysia. Based on multidisciplinary literature, the research employs the Conservation of Resources (COR) theory to elucidate how rewards are essential resources that safeguard employees from stress and improve their wellbeing. The discussion highlights that while financial rewards provide employees with security and stability, non-financial rewards play an equally important role in sustaining motivation, psychological health, and long-term engagement. By critically synthesising past studies, the paper develops a conceptual understanding of how reward systems may be designed to strengthen employee wellbeing in the public sector. The paper contributes to theory by enriching the application of COR in the context of rewards and wellbeing and to practice by offering insights for policymakers and human resource managers in designing more holistic remuneration frameworks. It also provides directions for future research to address unresolved questions in this area.

## 1. Introduction

Employee wellbeing has become an important concern in organisational research and practice, as it plays a crucial role in improving individual and organisational outcomes. Wellbeing is influenced by various factors, including financial rewards like salaries and allowances, as well as non-financial rewards such as work-life balance, training opportunities, and wellness programmes. In this context, reward systems are increasingly acknowledged as a vital mechanism for enhancing workforce wellbeing within organisations (Mohd Salleh et al., 2020).

The relationship between organisational reward systems and employee wellbeing has emerged as one of the most significant yet theoretically fragmented areas within organisational psychology and human resource management. Although organisations increasingly acknowledge employee wellbeing as a critical driver of performance, retention, and competitive advantage (Van De Voorde, 2020), scholarly understanding of the mechanisms through which rewards influence wellbeing outcomes remains underdeveloped. Existing research is dispersed across diverse theoretical traditions, including self-determination theory (Bolltoft, 2015; Whillans, 2019), psychological contract theory (Christy, Manoharan, & Yokesh, 2019), and integrative wellbeing frameworks (Loon & Stewart, 2018; Mishra & Venkatesan, 2022). The literature demonstrates the use of several theoretical approaches in explaining the link between rewards and wellbeing, yet not many explore it in the context of the resources perspective. The Conservation of Resources (COR) theory provides the theoretical lens to explain how financial and non-financial rewards function as resources that buffer stressors and sustain wellbeing. Hence, this paper will discuss the rewards and employee wellbeing from the lens of COR theory by framing rewards as valuable resources that employees strive to obtain, retain, and protect in order to enhance their overall wellbeing.

Furthermore, bridging this theoretical gap through critical synthesis is essential not only for advancing scholarly understanding but also for enabling organisations to design evidence-based reward systems that genuinely enhance employee wellbeing. This paper seeks to address this gap by conceptualising how different types of rewards influence employee wellbeing. Therefore, the study also offers practical implications by providing policymakers and public sector leaders with insights into how more holistic reward systems can be designed to not only enhance wellbeing but also foster a more motivated and productive workforce.

## **2. Literature Review**

Employee wellbeing is a multidimensional construct that encompasses the overall quality of life of employees beyond the workplace. It consists of objective elements like material security and quality of life, subjective factors such as life satisfaction and positive emotions, and psychological aspects encompassing autonomy, mastery, personal growth, and life purpose (Lee & Goh, 2023). In organisational contexts, wellbeing is typically indicated by employees' satisfaction, emotional resilience, and lower stress levels, which collectively enhance engagement and productivity (Salas-Vallina et al., 2021; Shi et al., 2023). Employee wellbeing is essential for individuals and provides advantages for organisations, establishing a mutually reinforcing cycle of healthier, happier, and more productive workplaces.

The COR theory, established by Hobfoll in 1989, offers a detailed framework for elucidating the mechanisms that support employee wellbeing. COR theory asserts that individuals are driven to obtain, safeguard, and maintain valued resources, with stress occurring when these resources are threatened, depleted, or inadequately replenished. Resources consist of material assets, social conditions, and psychological energies that facilitate individuals in managing demands and attaining goals. From this perspective, wellbeing improves when individuals can sustain and accumulate valued resources, whereas depletion or scarcity of resources diminishes wellbeing and heightens vulnerability to stress.

Within this theoretical framework, reward systems are conceptualised as essential sources of resources that influence employee wellbeing. Financial rewards, including salaries, allowances, and bonuses, represent material resources that provide stability and security. This is particularly significant in the Malaysian context, where increasing living costs worsen financial pressures (Mokhtar & Rahim, 2016; Mohd Salleh et al., 2020). Non-financial rewards such as recognition, training opportunities, and work–life balance serve as psychological and social resources that enhance positive emotions, intrinsic

motivation, and strengthen workplace relationships (Peluso et al., 2017; Manzoor et al., 2021). This study integrates both financial and non-financial rewards within the COR framework, conceptualizing reward systems as essential resources that mitigate employee stress, enhance resilience, and support long-term wellbeing. The subsequent sections will describe the correlation between financial rewards and employee wellbeing, the connection between non-financial rewards and employee wellbeing, the identification of gaps in the theoretical framework and practical aiming to provide a clearer conceptual framework for this study.

### ***2.1 Financial Rewards and Employee Wellbeing***

The reward system is a highly desired part of guaranteeing employee satisfaction. Consequently, organisation can maximise the use of financial rewards to strengthen their organisational human resource strategy (Bustamam et al., 2014). The financial rewards include the elements of basic salary, allowance, promotion, bonus, annual increment and the deferred salary. The cross-sectional study of hospital employees in Germany showed the correlation between rewards and employee well-being is significant. Moreover, employees who reported receiving higher rewards at work also showed higher well-being compared to colleagues who reported receiving lower rewards (Heming et al., 2023). This finding is also similar to the study that had been conducted in Singapore involving 8729 police officers in Singapore (Cho et al., 2021). On the other hand, the employees who contributed a lot of effort in their workplace but received the lower rewards reported they had low employee wellbeing (Honda et al., 2022). Surprisingly, the survey of 241 pharmacists in Arab Saudi indicated reward only had a moderate effect on their satisfaction (Islam & Naqvi, 2023) while a cross-sectional study of manufacturing companies' employees showed there is no significant correlation between financial rewards and employee wellbeing (Mohd Salleh et al., 2020).

### ***2.2 Non-financial Rewards and Employee Wellbeing***

On the other hand, non-financial rewards are tangible rewards that are offered by an organisation (Chiang & Birtch, 2008). Among non-financial rewards, or intrinsic rewards, offered by the organisation are work-life balance, recognition, medical benefits and training. Non-monetary rewards such as work-life balance and training and development have a significant relation to job satisfaction in the study involving 1082 employees of local and multinational organisations located in Italy (Peluso et al., 2017). In addition, the findings of the study of 343 employees of manufacturing companies in Malaysia demonstrated a significant relationship between non-financial rewards and employee wellbeing (Mohd Salleh et al., 2020). The study of employees in small and medium enterprises in Pakistan also indicated a significant and positive influence of intrinsic rewards on employee performance and motivation that reflects the wellbeing of the employees. To date, not much research regarding non-financial rewards has been conducted (Manzoor et al., 2021).

### ***2.3 Identification of Gaps in Theoretical Framework***

The success rate of a homogeneous, one-size-fits-all approach to reward, which assumes that a reward is broadly beneficial in motivating all sorts of action, is thus open to investigation (Chiang & Birtch, 2008). The COR theory offers a significant foundation for explaining the relationship between rewards and the wellbeing of employees. Organisations can encourage the wellbeing and productivity of their workforce by acknowledging rewards as crucial resources that impact employees' abilities to manage stress and attain their goals. This can be achieved through the creation of effective reward systems. Utilising strategies that avoid the depletion of resources, encourage the acquisition of resources, and accommodate

the various needs of employees will enhance the well-being and sustainability of the organisation (Hobfoll et al., 2017).

Besides, this study primarily focuses on the significance of gaining more knowledge of how reward systems impact the overall wellbeing of employees. It has been suggested that financial rewards and non-financial rewards should be assessed separately, taking into account the existing socioeconomic conditions and the motivational needs of employees (Mohd Salleh et al., 2020). This study emphasises the importance of obtaining evidence on both monetary and non-monetary rewards and their impact on positive outcomes for the employees. In the current dynamic organisation climate, employers should be highly attentive to the current requirements of their employees.

## 2.4 Identification of Gaps in Practical

The human resource policy-making approach has seldom taken into account both financial and non-financial rewards simultaneously. Nevertheless, the economic crisis has driven some organisations to reassess their reward methods, resulting in the integration of both monetary and non-monetary benefits (Peluso et al., 2017). These are very important strategies to appreciate the employees and reward them with many beneficial approaches that are valuable and meaningful for their wellbeing. In addition, the importance and prioritisation of the rewards of the public sector should be seen accordingly with the employees' needs that will contribute to their wellbeing.

## 3. Methodology

This study employs a conceptual paper approach, suitable for critically synthesising existing literature and developing a theoretical framework to understand the impact of financial and non-financial rewards on employee wellbeing within the context of COR theory. A conceptual paper differs from empirical studies in that it does not engage in primary data collection. Instead, it synthesises existing findings to illuminate theoretical gaps, identify patterns, and offer guidance for future research and practical applications. This approach is especially significant in context of the Malaysian public sector, where empirical research on reward and wellbeing is still scarce.

A systematic search strategy was employed to guarantee rigour, transparency, and replicability. The procedure consisted of three stages: identification, screening, and eligibility. During the identification stage, literature was retrieved through combinations of keywords and Boolean operators, including "employee wellbeing" OR "employee well-being" OR "EWB" AND "reward" OR "financial reward\*" OR "non-financial reward\*." Further synonyms and associated terms were incorporated to enhance coverage. Searches were performed from 2018 to 2022 utilising two main databases, Scopus and Web of Science, supplemented by secondary sources such as Google Scholar, ResearchGate, Mendeley, and university library databases. This phase produced 606 records.

During the screening phase, duplicates and irrelevant articles were eliminated following title and abstract evaluations, yielding a total of 93 articles. The eligibility stage comprised a comprehensive review of these articles based on established inclusion and exclusion criteria. As a result of this process, 25 articles were identified as the most relevant for conceptual synthesis. Table 1 presents a summary of the inclusion and exclusion criteria.

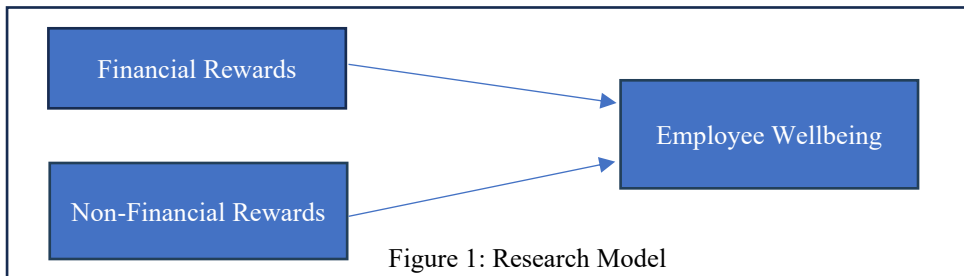
**Table 1. Inclusion and Exclusion Criteria**

Criteria	Inclusion	Exclusion
Publication type	Journal articles, book chapters	Conference abstracts, reports

Criteria	Inclusion	Exclusion
Language	English	Non-English publications
Time frame	2010–2022	Studies prior to 2010
Focus	Employee wellbeing, financial rewards, non-financial rewards	Studies focusing only on unrelated outcomes
Context	Public and private sector, with emphasis on Malaysian studies when available	Studies not related to organisational or workplace settings

### 3.1 Conceptual Framework

Hence, the present study intends to fill these gaps by investigating the impact of the reward, which involves the financial rewards and non-financial rewards on employee wellbeing. A framework was established by conducting a detailed review of existing literature in order to provide guidance for this study. The framework comprising dependant variable (employee wellbeing) and independent variables (financial rewards and non-financial rewards) will be examined to assess their influence on the dependent variable, as seen in Fig 1.



## 4. Conclusion

This review emphasises the conceptual framework as a basis for comprehending the impact of financial and non-financial rewards on employee wellbeing in the public sector. The study utilises the COR theory to illustrate how rewards serve as essential resources that mitigate stressors and improve wellbeing. Despite the literature demonstrating these relationships, current research is fragmented, with few empirical studies undertaken in Malaysia. This paper contributes to theory by integrating financial and non-financial reward perspectives into a single framework, while providing a contextual focus on the Malaysian public sector.

## 5. Practical Implications

The results present significant implications for policymakers and leaders in the public sector. Creating a reward system that incorporates both financial and non-financial rewards can enhance employee wellbeing and bolster organisational performance. Previous studies indicate that insufficient rewards lead to elevated stress levels, diminished morale, and increased expenses related to absenteeism and employee turnover (Yura et al., 2023; Heming et al., 2023). In contrast, effective reward systems are associated with increased engagement, enhanced service delivery, and more sustainable workforce performance (Bustamam et al., 2014; Peluso et al., 2017). This framework emphasises the necessity for Malaysian policymakers to align reward systems with increasing costs of living, while also emphasising non-financial aspects such as recognition and work-life balance to retain and motivate employees.

## 6. Recommendations for Future Research

This conceptual review enhances comprehension of the reward-wellbeing relationship; however, further empirical research is necessary to validate and refine the framework. Future research may utilise longitudinal designs to evaluate the impact of rewards on wellbeing over time or comparative methodologies to investigate variations across sectors or cultural contexts. Additionally, examining the mediating and moderating mechanisms such as financial wellbeing, organisational support, or employee resilience would enhance theoretical understanding. The research would enhance organisations' capacity to develop reward systems that effectively balance attraction, retention, and motivation, while promoting overall employee wellbeing (Dong & Loang, 2023; Nimmi et al., 2023).

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## Conflict of Interest Statement

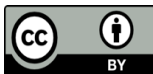
The authors agree that this research was conducted in the absence of any self-benefits, commercial or financial conflicts, and declare the absence of conflicting interests with the funders.

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