

Reward: The Relationship With Employees' Satisfaction At Modenas Gurun Kedah

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ABSTRACT

The purpose of this study is to identify the relationship between reward and employees' satisfaction at MODENAS Gurun, Kedah. Reward can be classified into three types which are direct-financial reward, indirect-financial reward, and non-financial reward. However, this study only focuses on several rewards for each type. Rewards that will be studied in this research are performance-based pay, bonus, recognition, promotion and health insurance that has become the independent variables. The dependent variable of this research is employees' satisfaction. This study will cover the employees of MODENAS Gurun Kedah whereby the sample size will be 72 employees.

Keywords: Bonus, Employees' Satisfaction, Health Insurance, Performance-Based Pay, Promotion, Recognition

INTRODUCTION

The purpose of this study is to reveal the acceptance by the employees itself regarding rewards that offered by company. It is due to the

dissatisfaction of the employees towards reward benefit that provided by the organization. Furthermore, there is the issue regarding the employee's needs towards reward system. According to Muhammad Hatta (2007), employees will not be satisfied if the benefit or incentive scheme does not match with individual needs and it will reflect their performance and satisfaction. The dependent variable in this study is employees' satisfaction. Employees' satisfaction can be defined as the fulfillment or gratification of a need by employees (Henderson, R.I., 2000).

Perry, Mesch, and Paarlberg (2006) suggest that pay can be used to create consequences for desired behaviors such as high performance that will in turn reinforce the behaviors. Hence, if performance is not rewarded, performance is not likely to be optimal. The independent variables in this study are performance-based pay, bonus, health insurance, recognition, and promotion. Performance-based pay provide the differential payment which is directly related to performance as assessed in an appraisal scheme, to output or others such as sales or profitability of a company (Fisher, 1995). Perry, Engbers, & So (2009) state that performance- based pay will make employees work harder if they value monetary rewards and believe that those awards will result from their increased efforts. It shows that the employees deserve for the reward as the returning for their effort and contribution to the organization. Bonus can be defined as an incentive payment that is given to an employee beyond one's normal base wage and it is frequently given at the end of the year and does not become part of base pay (Snell & Bohlander, 2007). Shun classified bonus into two categories which are merit- based and incentive- based. Merit- based depends on one's job performance whereas incentive- based used to motivate the performance. Shun also identified that employees were not satisfied with merit- based bonus rather than incentive- based bonus. Dissatisfaction can lead to lower morale in the organization and lower productivity. This research is related to incentive- based to know whether bonus can improve the performance as well as employee's satisfaction. Employees are satisfied with their job not only for higher salary that received by them but also the bonus incentive that offered by the employer to encourage and motivate them to improve their performance.

Health insurance which is included as one of indirect financial reward covers the costs of a variety of services that promote sound physical and mental health, including physical examinations, diagnostic testing, surgery, hospitalization, psychotherapy, dental treatments, and corrective prescription lenses for vision deficiencies (Martocchio, 2008). It is a must for an organization to provide health insurance for their employees because it can help employees to reduce their expenses burden. Besides that, by providing health insurance, employees will feel that their employers are taking care of their welfare. Snell& Bohlander (2007) in their book reveal that providing health insurance plan to employees is not only benefits the individual but also pay off for the organization in reduced absenteeism, increased efficiency, better morale, and other savings.

The next independent variables are recognition and promotion which are classified as non-financial reward. Recognition can be defined as acknowledgement, approval, and genuine appreciation (not phony praise) (Luthans &Stajkovic). As highlighted by Martha Holstein, Associate Director, American Society on Aging cited by Luthans & Stajkovic, money is not going to have the same impact with upper level management as it does with lower salaried employees. However, everyone appreciates recognition. Meaning that, employees are more appreciate and satisfied if their employer recognizes their effort rather than only give the monetary reward. Promotion is a term which covers a change and calls for greater responsibility, and usually involves higher pay and better terms and condition of service, and therefore, a higher status or rank (Pattanayak, B., 2008). Pattanayak, 2008, also had proposed that promotions are usually given to put the worker in a position where he or she will be of a greater value to the company and where he or she may derive increased personal satisfaction. In this research study, we believe that by offering a fair promotion plan will increase employees' satisfaction and the organizational prestige itself. This is because, employee who been promoted according to their skills, abilities and competencies rather than seniority will feel that they are treated fairly.

METHODOLOGY

The sample size for this study is 72 respondents. This sample size comprise of the employees in MODENAS Gurun, Kedah in all departments. The objectives of this study are to study the relationship between reward benefit and employees' satisfaction and to investigate which reward whether performance-based pay, bonus, recognition, promotion and health insurance that has strong influential to employees' satisfaction.

Data collection

Section A (Demographic Question)

This section gathers about the background of the respondent which is regarding the demography factor such as gender, years of service and department.

Section B, C, D, E, F (Independent Variable Question)

These sections about independent variable such as questions related to performance-based pay, bonus, recognition, promotion and health insurance

Section G (Dependent Variable Question)

This section about dependent variables, this section consist six questions. The question focuses on independent variables related to dependent variable

Data analysis

In this research, to analyze the variables, the data will be entered and will be analyze to the computer by using the SPSS software.

Cronbach's Alpha

Cronbach's Alpha used to test reliability during conduct the pilot survey. It can be interpreted as a correlation coefficient that ranges it value from 0 to 1 (Sekaran, 2006).

Descriptive Statistics

Descriptive statistics are used to explore the data collected and to summarize and describe those data. It also used to measure central tendency and variability of each variable. The normality of the distribution also can be

measured through the frequencies procedure in descriptive statistics (Sekaran, 2006).

Frequency Distributions

Frequency distributions are a display of the frequency of occurrence of each score value (Coakes, Steed & Ong, 2009). In this study, the degree of satisfaction can be tested based on the employee's gender and years of service in the company.

Spearman's Rank-Order Correlation

It is used to describe the relationship between two continuous variables. It also used to measure the correlation between independent variables towards dependent variable (Coakes, Steed & Ong, 2009). This data analysis will be used to describe the relationship between all the independent variables which are performance-based pay, bonus, health insurance, recognition and promotion with employees' satisfaction.

T-Test

This analysis method is used to determine whether there is a significant difference between two sets of scores. In this study, there are three main types of t-test maybe applied which are one-sample, independent groups and repeated-measures. In this study, the researchers applied the independent groups t-test is being used to describe the difference between gender towards the employees' satisfaction (Coakes, Steed & Ong, 2009).

RESULT

The finding of this study is to be used by MODENAS Gurun, Kedah in the decision making. The result from this study also will help the researcher to understand more about the rewards benefit that has been practiced in the company.

CONCLUSION

Reward system plays a key management tool that can contribute to a company's effectiveness by influencing individual and group behavior to complete the task effectively. Rewards also play the important role for company to keep its human capital from turnover to other company. It will reflect employees' motivation towards the job completion if the allocation of reward meets their need. Besides that, an employee who completed the task efficiently and effectively can be rewarded and it give them motivation to do their job and increase their performance. They also will feel satisfy with their job and it will increase their performance and indirectly the organizational performance and reputation.

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