

Reward System and Employee Work Attitude among Small and Medium Scale Enterprises in Port-Harcourt, Rivers State

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Abstract

This study examined the influence of reward system on employees work attitude among small and medium scale enterprises in Rivers State Nigeria. The study employed the survey study design. The study which was carried out in Port Harcourt metropolis, purposively selected a sample size of 125 from five (5) enterprises. The study adopted simple random sampling technique. Questionnaire was the major instrument for data collection. Data generated were analyzed using the non-method of data analysis. Based on the analysis, findings show that pay influences the employees work attitude. Findings also show that the work environment, remunerations, such as wages, salaries, bring benefits, bonuses and incentives, significantly influence the work attitude of employees, which contribute greatly to organizational success. The study therefore, recommend that pay and other tangible rewards (extrinsic), should be paid to employees in the right quantity and quality. Also, training and re-training programmes should be encouraged to change employee's attitude towards work.

Keywords: reward system, employees, work attitude.

Introduction

The concept “reward system” or “reward management” is one of the major human resources activities or functions. Over the last few decades, organizations have discovered that managing people is not an easy task; it is the most difficult of all organizational functions (Armstrong, 2006, Okere, 2013). This is because human behaviours are unpredictable, therefore, two different people can see a particular situation or issue and may act differently. Organizations in 20th and the 21st centuries have treated people from the idea of economic rationality (price, 2002, Eze, 2006). Economic rationality, in the sense that people effort and performance was determined as a result of the pay or reward given to them without necessarily considering the psychological effect or reward in the work environment. Most especially, people were treated more as machines, and that if the necessary economic benefits, such as (pay wages or salaries) are provided, they can always increase the output, which would increase the productivity of the organization for a better profit.

According to Armstrong (2006), the philosophy of treating employees as economic man is out of model, and does not have a serious recognition in the contemporary management orientation. The contemporary management ideology sees people of employees as the most valuable assets that need to be carefully harnessed, in order to enable the organization, achieve its set goals. Therefore, few things evolve as much emotion, as the organization's reward system (Eze, 2006). Employees often interpret the designed and use of the organizational reward system as a reflection of management attitude intentions, and the entire organizational climate. Because of this, the organizational reward system is one of the most effective motivational tools managers have at their disposal. Majorly, the responsibility for coordinating and administering the system usually resides with the human resource manager (Edwards and Right, 2004).

Organizations, both large and small, have their various reward systems. Although the manner at which the organizations reward its employees or workers could be different from that of the small and the medium scale enterprises (Osuala, 2005). This could be as a result of the size, number of employees and

output/productive levels of the two different firms; organization reward system consists of the types of rewards to be offered, and their distribution. Organizational rewards include all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the organization. (Anyanwu, 2002). Intrinsic rewards are internal to the individual and are normally derived from involvement in certain activities or task. Job satisfaction and feelings of accomplishment are good examples of intrinsic rewards. Extrinsic rewards on the other hand are directly controlled and distributed by the organization, and are more tangible than intrinsic rewards (Pay, wages and salaries) and social relationships are examples of extrinsic rewards (Sparrow, and Harris, 2004). For instance, job satisfaction is un-employee's general attitude toward the job. The organizational reward system often has a significant impact on the level of employee job satisfaction. Thus, the key elements under job satisfaction are attitude towards the firm, attitude towards management, etc.

Another important variable under organizational reward system is the organizational morale (Avwokeni, 2006): This is an employee's feeling of being accepted by, and belonging to a group of employees through common goals, confidence in the desirability of those goals and the desire to progress towards the goals (Azolukwaum and Perkins, 2004). This study is to determine the relationship between organization reward system and employees work attitude in SMEs.

Statement of the problem

Organization's reward system simply refers to the totality of organization's programs design to compensate employee engaged in the organization for the purposes of motivating and promoting healthy welfare. This reward type includes both intrinsic and extrinsic. Organizations, especially small and medium scale enterprises (SMEs) face a lot of challenges in terms of compensation or reward system, which may either positively or negatively affect the general attitude to work among employees (Budhwar and DeBrah, 2004).

One major problem among small and medium scale enterprises is the inability of management to equitably distribute or pay their workers. Sometimes, the issue of inequity and under-payment of employees are as a result of lack of fund or capital. It is as a result of this factor that most small and medium scale firms venture or/and seek overdraft from the financial institutions. Therefore, the underpayment or short-payment of employees can lead to dissatisfaction which may further end up in low output and job dissatisfaction.

Again, employees' lack of satisfaction is also a noticeably challenging among small and medium scale enterprises (SMEs). Job satisfaction is an intrinsic reward system. It is an employee's general attitude towards the job. That is, organizational reward system often has a significant impact on the level of employee job satisfaction (Olofin, and Folawewo, 2006). For instance, if everyone receives across-board pay increase of 10 percent, it is hard to derive any feeling of accomplishment from the reward. However, if pay increase are related directly to output, an employee who receives a healthy pay increase more will likely experience feeling of accomplishment and satisfaction.

The social relationship is also another variable or factor that affects the attitude of employees in a work place. In most small and medium scale enterprises (SMEs), the management and the workers do not have a cordial relationship. In some organizations, the workers are not permitted to use what the managers or executive staff use, if not permitted to touch certain things without an approval from management. This poor relationship between management and employees can lead to negative attitude to work, hence inadequate performance (Eze, 2006).

These above mentioned problems motivated the researchers to further establish the relationship between organizational reward system and employee attitude among small and medium scale enterprises.

Objectives of the Study

The general objective of this study was to evaluate reward system and employee work attitude among small and medium scale enterprises in Port-Harcourt, Rivers State. Specifically, the objectives are:

- i. Pay influences employees work attitude
- ii. To identify the influence of job satisfaction on employees work attitude.
- iii. To ascertain the influence of job security on employees' work attitude.
- iv. To ascertain what factors would enhance employee's loyalty to the employer and their job.

Research questions

The following research questions were framed to guide the study;

- i. To what extent does payment influence employee's work attitude?
- ii. To what extent does job satisfaction influence employees' work attitude?
- iii. How does job security influence the performance of employees?
- iv. What factors could enhance employee's loyalty to their employer and their job?

Research Hypothesis

The hypothesis below are stated in a null form (H_0) to be tested based on the above identified research objectives.

- i. There is no significant relationship between job satisfaction and employees work attitude.
- ii. There is no significant relationship between job satisfaction and employees work attitude.
- iii. There is no significant relationship between social relationship and employees work attitude.
- iv. There is no significant relationship between work environment and employees work attitude.

Significance of the Study

This study will offer managers of selected firms a vivid understand that will quid their thinking on the firm's reward system, as well as employees work attitude. Also, this study will give employees in the selected SMEs a foundation for their improvement and active participation in their organizations.

Furthermore, this study will unfold the principles and practices of organizational reward system which both public and private firms can tap as a source of knowledge.

Finally, this study will be relevant to the academic or researches as it seeks to establish the relationship between the organizational reward system, and employees work attitude, and will make some relevant contribution on the existing literature which further research can be carried out replicated.

Review of Related Literature on Reward System

The organizational reward system consists of the types of rewards to be offered and their distribution. Organizational rewards include all types of rewards, both intrinsic, and extrinsic, that are received as a result of employment by the organization. Intrinsic rewards are internal to the individual and are normally derived from involvement in certain activities or tasks. Job satisfaction and feelings of accomplishment are examples of intrinsic rewards. Most extrinsic rewards are directly controlled and distributed by the organization and are more tangible than intrinsic rewards. Pay and hospitalization benefits are examples of extrinsic rewards (Armstrong, 2006).

Though, intrinsic and extrinsic rewards differ, they are also closely related. Often the provision of an extrinsic reward provides the recipient with intrinsic rewards (Wright et. Al, 2003). For example, an employee who receives an extrinsic reward in the form of pay raise may also experience feelings of accomplishment (an intrinsic reward) by interpreting the play raise as a sign of a job well done (Sparrow, et. al. 2004).

Relationship between Rewards & Performance

The free enterprise system is based on the premise that rewards should depend on performance (Olofin, 2006). This performance-reward relationship is desirable not on the organizational or corporate level, but also at the individual level. The underlying theory is that employees will be motivated when they believe such motivation will lead to desired rewards. Unfortunately, many formal rewards provided by organizations cannot be connected to performance. Rewards in this category, including paid vacations insurance plans, and paid holidays are almost always determined by organizational membership and seniority, rather than or by performance (Armstrong, 2006). Other rewards, such as promotion, can and should be related to performance. However, opportunities for promotion may occur rarely. When available, the higher positions may also be filled on the basis of seniority or someone outside the organization (Eze, 2006).

The primary organizational variable used to reward employees and reinforce performance is pay. Even though many companies have some type 'cut' pay-for-performance program, most do a poor job of relating the two. Surveys repeatedly show that neither top management, nor rank-and-file employees have much confidence that a positive relationship exists between performance and pay. If relating rewards to performance is desirable, why is the practice not more widespread? One answer is that it is not easy to do so; it is much easier to give everybody the same thing, as evidenced by the ever-popular across-the board pay increases. Relating rewards to performance requires that performance be accurately measured, and this is often not easily accomplished (Earley, 1994). It also requires disciplines to actually relate rewards to performance.

According to Legge (1995), another reason is that many union contracts require that certain rewards be based on totally objective variables, such as seniority. While no one successful formula for implementing a pay-for-performance program has yet been developed, a number of desirable pre-conditions have been identified and generally accepted.

1. Trust in management: If employees are skeptical of management, it is difficult to make a pay-for-performance program work;
2. Absence of performance constraints: Since pay-for-performance programs are usually based on employee's ability and effort the jobs must be structured, so that an employee's performance is not hampered by factors beyond his or her control.

3. Trained supervisors and managers: The supervisors and managers must be trained on setting and measuring performance standards.
4. Good measurement systems: Performance should be based on criteria that are job specific and focus on results achieved;
5. Ability to pay: The merit portion of the salary increase budget must be large enough to set the attention of employees.
6. Clear distinction among cost of living, seniority and merit: In the absence of strong evidence to the contrary, employees will naturally assume a pay increases, a cost-of-living or seniority increase;
7. Well-communicated total pay policy. Employees must have a clear understanding of how merit pay fits into the total pay picture.
8. Flexible reward schedule: It is easier to establish a credible pay-for-performance plan if all employees do not receive pay adjustments on the same data.

Employee Satisfaction and Reward System

Job satisfaction is an employee's general attitude towards the job. The organizational reward system has a significant impact on the level of employee job satisfaction (Onah, 2008). In addition to their direct impact, the manner in which the extrinsic rewards are dispersed can affect the intrinsic rewards and satisfaction of the recipients. For example, if everyone receives an across-the-board pay increase of 5 percent, it is hard to derive any feeling of accomplishment from the reward. However, if pay raises are directly related to performance, an employee who receives a healthy pay increase more will likely experience feelings of accomplishment and satisfaction (Wright, et. Al. 2003).

The five major components of job satisfaction are:

- i. Attitude towards the work group
- ii. General working conditions;
- iii. Attitude towards the company;
- iv. Monetary benefits
- v. Attitude towards management

Other components include the employee's attitude toward the job may be positive or negative. Health, age, level of aspiration, social status, political and social activities all influence job satisfaction (Agcan, et. Al. 2007).

According to Budhwar and Sparrow (2002), job satisfaction-is not synonymous with organizational morale, which is the possession of a feeling of being accepted by and belonging to a group of employees through adherence to common goals, confidence in the desirability of those goals, and the desire to progress toward the goals. Morale is the by-product of a group, while job satisfaction is more of an individual's state of mind. However, the two concepts are interrelated in that job satisfaction can contribute to morale and morale can contribute to job satisfaction.

Methodology

- Research design: This is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance of the research purpose with economy in procedure (Kothari, 2006). It is the plan that guides the setting of objectives, formulation of hypothesis and explanation of variables to solving a particular problem. Osuala (1984) as cited in Avwokeni (2006), sees research design as "the plan, structure and strategy of investigation, conceived to obtain answers to research questions and to control variances". Therefore, to guide the researcher in gathering relevant data for this study, it becomes imperative to use the descriptive research design. This was relevant because the study specifically has to do with a survey research. Anyanwu (2002), noted that survey research is the investigation of the behaviour, opinion or other manifestations of a group of people by questioning them.
- Population sample, Sampling and procedure: The population of the study can be defined "as the universe or aggregate, comprising the totality of units, having certain defined characteristics in common" (Osuala, 2005). In this instance the population is made up of all employees of the selected firms in Port-Harcourt. Considering the large member of such population, the researcher had purposively or judgmentally attained the sample size from the population. The five (5) selected hotels in Port-Harcourt sum up a total population or workforce of one hundred and twenty-five (125) spread across the various functional units of the organizations.
- Validity and reliability of research instrument: Validity of research instrument means the degree to which an instrument measure what it is intended or designed to measure, while reliability in this context refers to the consistency between the independent results of the same object. Therefore, validity measures the accuracy while reliability measures the accuracy, while reliability measures the consistency of the measurement. Thus, to ensure high degree of validity and reliability the researcher pre-test the instrument

by printing some sample copies of them and administered them to the different levels staff in the organizations on different occasion after which corrections were made by experts in the field of study, and thereafter, the final sampling exercise was carried out carefully. These and many other reasons ensured a very high degree of validity and reliability of the instruments used by the researcher.

➤ Data Analysis Techniques

The present data were analyzed for comprehension and testing each of the hypothesis with relevant statistical tool. The non-parametric chi-square statistical tool was chosen in testing the hypothesized statements. It is mathematically represented thus:

$$X^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

Where: x^2 = chi-square

f_o = observed frequency

f_e = expected frequency

Test of Hypothesis

The hypothesis in this study is tested below. The tests were carried out at 95% degree of confidence and 0.05 significant levels.

Hypothesis 1:

H_{01} : There is significant relationship between pay and employees work attitude.

Table 1: Relationship between pay and employees work attitude.

Option	SA	A	U	UD	SD	TOTAL
Pay motivates employee work attitude.	50 (19.2)	30 (19.2)	4 (19.2)	10 (19.2)	2 (19.2)	96
Increase incentives enhance productivity.	40 (19.2)	46 (19.2)	0 (19.2)	8 (19.2)	2 (19.2)	96
Increase bonuses reniable productivity.	3 (19.2)	17 (19.2)	6 (19.2)	20 (19.2)	50 (19.2)	96
Total	93	93	10	38	54	288

Source: field Data, 2017

Decision Rule

Since x^2 table is $<x^2$ we therefore, reject the null hypothesis (H_{01}). In other words, there is significant relationship between pay and employees work attitude.

Hypothesis 2:

H_{02} : There is no significant difference between job satisfaction and employees work attitude.

Table 2: Difference between job satisfaction and employees work attitude.

Option	SA	A	U	D	SD	TOTAL
Responsibility leads to job satisfaction.	20 (19.2)	60 (19.2)	0 (19.2)	6 (19.2)		
Autonomy of the employees enhance performance.	30 (19.2)	58 (19.2)	2 (19.2)	4 (19.2)		
Total	50	118	2	8	14	

Source: field Data, 2017

Decision

Since x_2 is $<X_2$ cal, reject the null hypothesis (H_{02}). In other words, there is a significant relationship between job satisfaction and employee work attitude.

Discussion of Findings

The study investigated reward system and employees work attitude in hotels in Port-Harcourt, Rivers State. The concept “reward system” or compensation is one of the human resources management activities, or

functions. Such compensational mix variables include pay (wages and salaries) bonuses, incentives, fringe benefits, responsibility autonomy challenges (Armstrong, 2006, Eze, 2006, Pattanayak, 2004, Cole, 2002, Inyang and Akpama, 2002).

The study revealed that majority of the employees or respondent strongly agreed and agreed that pay (wages and salaries), incentives, fringe benefits, bonuses influence the employees work attitude. This shows that in the Nigerian work environment, pay and other benefits can be used as a motivational tool in enhancing productivity as well as performance (Eze, 2006). However, the statistical analysis using chi-square (χ^2), to determine the relationship between pay and employees work attitude (χ^2 cal E 260.77). The test was carried out at 95% degree of confidence, and 0.5 significance level. It was shown that increase in pay bonuses and incentives influence the employee's attitude.

Furthermore, the study revealed that a large number of employees, strongly agreed and agreed that responsibility and autonomy also influence the employees work attitude. In other to confirm this, the statistical analysis, using chi-square (χ^2), to determine the relationship between responsibility, autonomy and employees work attitude, (χ^2 cal E 246.70). the test will carried out at 95% degree of confidence and 0.5 level of significance. It was shown from the test that there is a significant relationship between responsibility, autonomy and the work attitude of the employees. Thus, the intrinsic factors can also influence the behaviour of the employees and not only the intrinsic factors, such as pay bonuses, incentives and promotions (Armstrong 2006, Fajana, 2006).

Therefore, it is necessary for management to provide these intrinsic and extrinsic tools in their right quality and quantity that may motivate the employees to put more effort, and commitment in order to achieve the organization set goals.

Conclusion

Managing the human element is the most tasking and difficult organizational functions. This is because human behaviours and their needs are different. The factors that may influence individual may not influence another and their needs can come differently at different time and dimensions. Dealing with people needs carefulness and consciousness. The socio-cultural diversity of Nigeria has influenced human resource management practices. Both the management and the Nigerian government should strive to make coherent human resource policies that fits close with overall business strategy. Compensation is one area that should be handled with care, and concern, because people in Nigeria care rarely motivated with intrinsic motivating tools, such as empowerment autonomy and challenges, rather employees are interested in intrinsic motivating tools, such as increase pay fringe benefits, bonuses, incentives that may satisfy their needs. It is these needs satisfaction that can lead to job satisfaction and employee's empowerment.

Recommendation

The following recommendations were made in thus study;

- That employee in the Nigerian work environment are motivated by extrinsic rewards. Therefore, pay and other tangible rewards should be paid in their right quantity and quality.
- That a good working environment is a source of motivation in Nigeria. Thus, employees' working environment should be improved and proper facilities should be put in place.
- That management should create an enabling environment that could accommodate both management and employees. There should be a cordial relationship among all actors.
- That training and re-training programmes should be encouraged in the organization as a source of employee's motivation, which may also lead to high performance.

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APPENDIX 1

Fo	Fe	Fo-Fe	(Fe-Fe)²	(Fo - Fe)²/_{Fe}	
50	19.2	30.8	948.64	49.40	
30	19.2	10.8	116.64	6.07	
4	19.2	-15.2	231.04	12.03	
10	19.2	-9.2	84.64	4.40	
2	19.2	-17.2	295.85	15.40	
40	19.2	20.8	432.64	22.53	
46	19.2	26.8	718.24	37.40	
0	19.2	-19.2	368.64	19.20	
8	19.2	-11.2	125.44	6.53	
2	19.2	-17.2	295.84	15.40	
3	19.2	-16.2	262.44	13.66	
17	19.2	-2.2	4.84	0.25	
6	19.2	-13.2	174.24	9.07	
20	19.2	0.8	0.64	0.03	
50	19.2	30.8	948.64	49.40	
				260.77	

x^2 cal 260.77

$$(r-1) (c-1) = (3-1) (5-1)$$

$$2 \times 4 = 8$$

APPENDIX 1

Fo	Fe	Fo-Fe	(Fe-Fe)²	(Fo - Fe)² / Fe
20	19.2	0.8	0.64	0.03
60	19.2	40.8	1664.64	86.7
0	19.2	-19.2	368.64	19.2
6	19.2	-13.2	174.24	9.07
10	19.2	-9.2	84.64	4.40
30	19.2	10.8	116.64	6.07
58	19.2	38.8	1505.44	78.40
2	19.2	-17.2	295.84	15.40
2	19.2	-17.2	295.84	15.40
3	19.2	-16.2	262.44	13.66
4	19.2	-15.2	231.04	12.03
				246.70

χ^2 cal 260.77⁼

$(r-1) (c-1) = (3-1) (5-1)$

$1 \times 4 = 4$