

Impact of Tangible and Intangible incentives on job satisfaction among workers

Syeda Ayat-e-Zainab Ali^{1*}, Maryam Afridi², Marrium Shafi³, Huda Munawar⁴, Sajid Mahmood Alvi⁵

¹MS Scholar, Clinical Psychology, Department Of Psychology, International Islamic University, Islamabad, Pakistan

^{2&3}BS (Hons), PMDCP, Department Of Psychology, University Of Haripur, Pakistan

⁴MS Scholar, Project Management, Institute Of Management Sciences, Peshawar, Pakistan

⁵Assistant professor, University of Haripur, Pakistan

¹zai_nab1@hotmail.com

²maryamafridi756@gmail.com

³mariam_shafi1@yahoo.com

⁴huda.munawar@gmail.com

⁵sajidmalvi@yahoo.com

*Corresponding author

Abstract- *Incentives either tangible or intangible are the most important or convenient resources that became the basis of workers satisfaction with their jobs. The study attempts to explore the relationship between tangible or intangible incentives and job satisfaction among workers. To achieve the objective, a sample of 100 workers was selected from Pakistan Ordinance Factory, WahCantt, Pakistan on basis of purposive sampling technique. Data is collected through the use of reward system questionnaire and Minnesota Satisfaction questionnaire. Statistical Package for social sciences (version, 21) was used for the analyses of data. Results showed that both tangible and intangible incentives are positively related to job satisfaction among workers. Thus, at work settings the rise in the use of incentives is associated with high job satisfaction.*

Keywords- *Incentives; tangible; intangible; Job Satisfaction*

1. INTRODUCTION

Now-a-days, at working sector with the advent of globalization the use of incentives by the employer's plays an essential role in workers satisfaction or company's effectiveness. How the employer's treat their employees is the most significant asset; therefore to encourage or to motivate workers is the key component of each and every organization (Abbas, A. and S, Hammadi, 2009)[1].

It is the duty of the organization to enhance the level of motivation within workers by providing them incentives either tangible or intangible (Abdul Wahab, A. J., 2006)[2]. Incentives refer to the thing that plays an important role in increasing the rate of performance, well-being or satisfaction at work (Al-Aydi, K. 2000)[3]. Tangible incentives are in the form of money, bonuses, and promotions and so on. But Intangible incentives like

admiration, respect, autonomy, present too plays an important role in enhancing the esteem of workers (Ali, R. and Ahmed, M.S., 2009)[4].

All the incentives either tangible or intangible is motivating or became the source for job satisfaction; as they help in changing the behavior of workers (Al-Nsour, M., 2012)[5]. Job Satisfaction refers to the external or internal circumstances that cause the person to become satisfied with his or her job (Alsharah, A.M., 2014)[6]

With the rise in organization's competition, it is required that workers should deal each and every aspect of their work with creativity and motivation which help in achieving the organization goals and perspectives (Alwabel, A., 2005)[7]. So in order to increase the level of interest in work, both tangible and intangible incentives are required that is associated with job satisfaction among workers (Armstrong, M., 2009)[8].



Various studies have examined the association between incentives and job satisfaction. Lack of Reward system is associated with less interest in job or decrease job satisfaction(Arthur, J.B., 1994)[9]. The use of Incentives is required to gain work productivity and is often contributed in the development of satisfaction with job (Awadallah, M., 2012)[10]. Approx 58.82 percent workers who get incentives are satisfied with their jobs, others are not satisfied as they do not get much incentives (Clark, A., 1996)[11]. Incentives provide intrinsic or extrinsic motivation that in turn leads to commitment and is associated with high level of satisfaction towards job (Daniel, T.A. and Metcalf, G.S., 2005)[12]; Danish, R. Q. & Usman, A., 2010)[13]. Workers Behavior and mood changes as a result of taking incentive and in turn they became more satisfied; moreover both tangible and intangible incentives are required to improve mood and behavior(Ellis, L. & Pennington, S., 2004)[14]. Tangible incentives have short term effect whereas in intangible incentives such as appreciating words have a long term effect but both of them is corresponding with job satisfaction(Erbasi, A. & Arat, T., 2012)[15]. Moreover, some studies recommended that tangible incentives i.e money, bonuses are more appropriately related with job satisfaction than intangible incentives, but incentives either tangible or intangible should be used in a balanced state(Freifeld, L., 2011)[16]. Increase in the financial incentives leads to rise in job satisfaction(Gana, A. B. and Bababe, F.B., 2011)[17]. Motivational level or job satisfaction is impacted through the use of incentives system(Gomez-Mejia, Luis R, et al., 2005)[18]; whereas a high usage of tangible incentives is associated with workers satisfaction towards their job(Heyman, James. and Ariely, Dan (2004)[19]. 67 percent of employees favor intangible incentives whereas 60 percent like tangible incentives(Joseph, K. & Jose, F., 2004)[20]. Tangible and intangible incentives both are corresponding with rise in job satisfaction (Kaya, İlke., 2007)[21]. Employee engagement towards work increases when they are satisfied and in order to do this incentives are required(Lawler, E., 2005)[22]. Financial and non-financial incentives are the key motivating components which increase performance at working sector or satisfaction towards work and job(Locke, H. S. and Braver, T.S., 2008)[23]. An appropriate budget is required to give incentives to workers but the appropriate use of incentives in tangible or intangible form is recommended for the work productivity, or worker satisfaction(Markova, G., & Ford, C., 2011)[24].

Performance and Job satisfaction is high with the rise of tangible or intangible incentives(Muhsen, W., 2004)[25]. Stability or security towards working condition is impacted by the continuous usage of incentives; thus the balanced state is required(Naldöken, U., Ekinci, H., & Biçer, E.B., 2011)[26]. Promotion system, financial performance or performance level is strongly correlated with incentives(Osibanjo, A.O., Abiodun, A.J., & Fadugba, A.O., 2012)[27]. Decrease in tangible or intangible incentives related with less satisfaction or performance (Palmer, W., 2012)[28]. Incentives are used in a diversify manner for better performance or satisfaction. Commitment towards work will be higher when worker gain what they need most either tangible or intangible form. In Pakistan, workers are considered as low income proletariat. They have many family issues in financial perspective. These issues in turn damage the well-being of workers. So, in order to overcome this problem, incentives are required. As their esteem is low, they need intangible incentives; in the same way they also need tangible incentives as they suffer from various issues. Both tangible and intangible incentives are then associated with increase in job satisfaction. When workers satisfied with their job they became more committed. Thus, the basic purpose of the study was to identify or to explore;

- The relationship between tangible incentives and job satisfaction among workers.
- The association between intangible incentives and job satisfaction among workers.

2. METHODOLOGY

2.1 Hypotheses

H1: Tangible incentives are correlated positively and significantly with job satisfaction among workers.

H2: Intangible incentives are correlated positively and significantly with job satisfaction among workers.

2.2 Study design or Sample size

A survey research design is used for the study purpose.

A sample of 100 workers selected from Pakistan ordinance factory, Wah Cantt, Pakistan on the basis of purposive sampling technique.

2.3 Instrument's

The instruments used in the study were reward system questionnaire (Al, Nsour., 2012)[5] and Minnesota Satisfaction questionnaire (Spector, 1997).

- A five-point Likert type scale comprise of 16 items, out of which 1-8 measures tangible

incentives or 9-16 measures intangible incentives.

- 20 items with 5-point Likert type response format used to gather data regarding job satisfaction.

2.4 Procedure and Data Analysis

The sample was approached at the departments of POF. All the questionnaires were administered individually. Written instructions are given on each scale the purpose of each study is explained on each questionnaire. Respondents were assured that the information from them will be only used for research purpose and will be kept confidential and the participants were briefed that there was no right and wrong answers and there will be no limit to complete the questionnaire. They are required to attempt each and every item. After the completion, the questionnaires were collected and inspected for missing data. Respondents were thanked for their cooperation and their queries were answered. The score data was then fed in to the computer for statistical analysis. The statistical package for social sciences (SPSS, Version 21) was used for Pearson product moment correlation analysis of data.

2.5 Cronbach's alpha

Cronbach's alpha of the entire items of the scale used to measure incentives is .866 ($\alpha=.866$) whereas for 20 items of Minnesota satisfaction questionnaire it is .852 ($\alpha=.852$).

3. RESULTS

Table 1 shows that tangible incentives and job satisfaction are significantly positively correlated, $r=.61$, $p<.01$.

Pearson Product moment correlation among the tangible incentives and job satisfaction (N=100):

Variables	1	2
Tangible Incentives	-	.61**
Job Satisfaction		-

** . Correlation is significant at the 0.01 level (2-tailed)

Table 2 shows that tangible incentives and job satisfaction are significantly positively correlated, $r=.55$, $p<.05$.

Pearson Product moment correlation among the intangible incentives and job satisfaction (N=100)

Variables	1	2

Intangible incentives	-	.55*
Job satisfaction		-

** . Correlation is significant at the 0.01 level (2-tailed)

4. DISCUSSION

The present study aimed to explore the relationship between tangible and intangible incentives and job satisfaction among workers. To fulfill the study purpose, 100 workers are selected from Pakistan Ordnance Factory, Wah Cantt, Pakistan on the basis of purposive sampling technique. Data is gathered through structured questionnaire. It was found through existing or previous literature that there is a strong correlation between tangible or intangible incentives and job satisfaction (Pinder, C.C., 1984) [29].

The findings of the present study prove the hypothesis in the light of previous researches that tangible incentives are positively related to job satisfaction among workers. The findings also prove the hypothesis that intangible incentives are positively related to job satisfaction among workers as reported by existing literature. A study conducted on employees i.e. taken from various departments of organization in Pakistan find out that Reward and recognition are motivating and associated with performance and satisfaction towards jobs (Pouliakas Konstantinos., 2008) [30]. Tangible incentives gratify needs and desires whereas intangible ones are more motivating than tangible incentives and is often associated with job satisfaction (Pouliakas Konstantinos., 2008) [30]. Job satisfaction is positively affected by tangible incentives and non-financial incentives (Robbins, 2001) [31]. Another study conducted in Turkey reported that financial and non-financial incentives are related to job satisfaction (Saqib, S., Abrar, M., Sabir, H.M., Bashir, H., & Baig, S.A., 2015) [32]. Tangible and Intangible incentives lead to more commitment towards job within the textile sector of Pakistan and those who are more committed are more satisfying (Saqib, S., Abrar, M., Sabir, H.M., Bashir, M. and Baig, S.A., 2015) [32]. Incentives system encourages the workers and hence they are more satisfied with their job (Scheepers, R., 2009) [33]. Performance and satisfaction is improved as a result of Tangible or intangible incentives (Scheepers, R., 2009) [33]. Another study reported that job satisfaction and tangible and intangible incentives are dependent on each other

(Yousef, D.A., 2000)[34]. Incentives plays an important role in job satisfaction, those who do not get it are less satisfied with their jobs (Zaidi, F. B., & Abbas, Z., 2011)[35]. Thus, the findings of present study are in accordance with previous researches both conducted in Pakistan or in west.

5. CONCLUSION

Organization's productivity depends upon their workers so; workers are the most valuable strength of any organization. It is the chief or principle responsibility of employers to work for the sake of their workers well-being or to provide them with comfort. Success of the organization lies in their worker commitment, creativity and motivation. So incentives either tangible or intangible are significantly important aspects that can contribute in the development of productivity, commitment, motivation towards their work that in turn are associated with high level of job satisfaction. Thus, organizations pay heed towards the use of incentives in a balanced way, both tangible and intangible; as it contributed in job satisfaction or organization effectiveness.

6. REFERENCES

- [1] Abbas, A. and S, Hammadi. (2009). "Motivations and their Effects on Performance" ,TanmiatAlrafidain 93(31).
- [2] Abdul Wahab, A. J. (2006) the impact of incentives on job satisfaction for staff of commercial banks in the southern West Bank governorates, unpublished master thesis, Jerusalem University.
- [3] Al-Aydi, K. (2000). Impact of Incentives on Performance in Public Firms of Cotton Industry in Iraq: a field Study. Master Thesis. Al al-Bayt University, Mafraq, Jordan. Retrieved from:http://web2.aabu.edu.jo/thesis_site/thes_dtl.jsp?thes_no=1811.
- [4] Ali, R. and Ahmed, M.S. (2009) The Impact of Reward and Recognition Programs on Employee's Motivation and Satisfaction: An Empirical Study. *International Review of Business Research Papers*, 5, 270-279.
- [5] Al-Nsour, M. (2012). Relationship between incentives and organizational performance for employees in the Jordanian Universities. *International Journal of Business and Management*, 7(1), 78-89.
- [6] Alsharah, A.M. (2014) Rewards and incentives impact on job satisfaction of saudi bank employees. *European journal of business and management*, 6 (38), 70-81.
- [7] Alwabel, A. (2005). The role of financial and moral incentives on raising the performance level of employees from the viewpoint of the security officers involved in the pilgrimage season. (Master Thesis). Naif Arab University for Security Sciences, Saudi Arabia.
- [8] Armstrong, M. (2009) *Handbook of Human Resource Management*. 11th Edition.
- [9] Arthur, J.B. (1994) Effects of Human Resource Systems on Manufacturing Performance and Turnover. *Academy of Management Journal*, 37, 670-687. <http://dx.doi.org/10.2307/256705>
- [10] Awadallah, M. (2012) The impact of incentive and its role in achieving job satisfaction for employees, unpublished Master Thesis, the Arab Academy in Denmark.
- [11] Clark, A. (1996) Satisfaction and Comparison Income. *Journal of Public Economic*, 61:59-81.
- [12] Daniel, T.A. and Metcalf, G.S. (2005) *The Fundamentals of Employee Recognition*. Society of Human Resource Management.
- [13] Danish, R. Q. & Usman, A. (2010). Impact of reward and recognition on job satisfaction and motivation: An Empirical Study from Pakistan. *International Journal of business and Management*, 5 (2), 159-167.
- [14] Ellis, L. & Pennington, S. (2004). Should leaders have tusks or fangs? *Management Today*, 20(9), 32-33.
- [15] Erbas, A. & Arat, T. (2012) The effect of financial and non-financial incentives on Job satisfaction: An examination of food chain premises in turkey. *International Business research*, 5 (10), 136-145. doi:10.5539/ibr.v5n10p136
- [16] Freifeld, L. (2011). Why Doesn't Cash Motivate.... Retrieved from <http://trainingmag.com/article/why-doesn%E2%80%99t-cash-motivate>.
- [17] Gana, A. B. and Bababe, F.B. (2011) "The Effects of Motivation on Workers Performance (a case study of Maiduguri Flour Mill Ltd. Borno State, Nigeria)," *Continental J. Social Sciences*, 4 4(2), 8 – 11.
- [18] Gomez-Mejia, Luis R, et al. (2005) *Management (people, performance ,change)*, Second edition. McGraw-Hill Irwin, United States of America.
- [19] Heyman, James. and Ariely, Dan. (2004). Effort for Payment: A Tale of Two Markets, *Psychological Science*, 15 (11). 787-793.

- [20] Joseph, K. & Jose, F. (2004). The Relationship among Working Conditions, Job Satisfaction and Teachers Performance in Private Schools under kottayam, Master, Kerala,India.
- [21] Kaya, İlke. (2007). Otel işletmelerini işgörenlerinin iş tatminini etkileyen faktörler: Geliştirilen bir iş tatmin ölçeği. *Anadolu Üniversitesi Sosyal Bilimler Dergisi*, 7(2), 355-372.
- [22] Lawler, E.(2005). Treat people right. *Human Resource Management*, 44 (3), 355-357. doi 10.1002/hrm.20076
- [23] Locke, H. S. and Braver, T.S. (2008). "Motivational Influences on Cognitive Control: Behavior, Brain Activation, and Individual Differences. *Cogn. Affect. Behav. Neurosci.*" 8(99).
- [24] Markova, G., & Ford, C. (2011). Is money the panacea? Rewards for knowledge workers. *International Journal of Productivity and Performance Management*, 60(8), 813-823.
- [25] Muhsen, W. (2004) "The Extent of Employee Satisfaction Working in UNIRWA in Gaza about Incentives and Rewards System." Islamic University.
- [26] Naldöken, U., Ekinçi, H., & Biçer, E.B. (2011). Bir devlethastanesinde eködemeyapılmasının işgören motivasyonu üzerindeki etkileri. *C.Ü. İktisadi ve İdari Bilimler Dergisi*, 12(2), 283-295.
- [27] Osibanjo, A.O., Abiodun, A.J., & Fadugba, A.O. (2012). Executive Perception of the Impact of Flexitime on Organisational Performance: Evidence from the Nigerian Private Sector. *International Journal of Applied Behavioural Economics (IJABE)*. Vol.1(3).
- [28] Palmer, W. (2012) "Incentive and Disincentive: Will They Affect Performance?" <http://retailnotes.wordpress.com/2010/04/07/incentives-disincentives-will-they-affect-performance/>
- [29] Pinder, C.C. (1984) *Work Motivation; Theory, Issues, and Applications*. Foresman and Company, Glenview.
- [30] Poulidakas Konstantinos. (2008). Pay enough, don't pay too much or don't pay at all? An empirical study of the non-monotonic impact of incentives on job satisfaction. IZA Discussion Paper No. 4713, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1545140.
- [31] Robbins (2001), S. P, *Organizational Behavior*, 9th, Prentice Hall.
- [32] Saqib, S., Abrar, M., Sabir, H.M., Bashir, H., & Baig, S.A. (2015). Impact of tangible and intangible rewards on organizational commitment: Evidence from the textile sector of Pakistan. *American Journal of Industrial and Business Management*, 2015, 5, 138-147. <http://dx.doi.org/10.4236/ajibm.2015.53015>
- [33] Scheepers, R. (2009). Shaping corporate entrepreneurship capability: The impact of rewards. *AGSE 2009*, 107-119.
- [34] Yousef, D.A. (2000) Organizational Commitment: A Mediator of the Relationships of Leadership Behavior with Job Satisfaction and Performance in a Non-Western Country. *Journal of Managerial Psychology*, 15, 6-24. <http://dx.doi.org/10.1108/02683940010305270>
- [35] Zaidi, F. B., & Abbas, Z. (2011). A Study on the Impact of Rewards on Employee Motivation in the Telecommunication Sector of Pakistan. *Interdisciplinary Journal of Contemporary Research in Business*, 3(3), 978-998.