

PERCEPTIONS TOWARD REWARDS: SURVEY RESULTS OF SELECTED BANK EMPLOYEES

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ABSTRACT

The study investigated reward preferences of 110 bank officers and their perceptions and attitudes toward how their rewards are and should be determined. As expected, rewards such as a high salary, promotion, and bonuses were rated highly. However, non-monetary rewards in the form of interesting, meaningful, and challenging work and feedback on performance were also found to be highly valued by this group of white-collar employees. There was also general agreement among the officers that merit should be the most important determinant of their rewards.

ABSTRAK

Kajian ini mengkaji keutamaan ganjaran bagi seramai 110 pegawai bank serta tanggapan mereka mengenai bagaimana ganjaran mereka ditentukan dan patut ditentukan. Hasil dari kajian ini menunjukkan bahawa ganjaran-ganjaran seperti gaji tinggi, kenaikan pangkat dan bonus sangat dihargai. Walau bagaimanapun, ganjaran bukan kewangan dalam bentuk kerja yang menarik, bermakna dan mencabar dan maklum balas prestasi juga dianggap penting oleh kumpulan pekerja ini. Kajian ini juga mendapati bahawa secara umumnya pegawai-pegawai bank menganggap merit sebagai penentu ganjaran yang patut diutamakan dalam menentukan ganjaran mereka.

INTRODUCTION

Rewards have been investigated and researched for many years because of its motivational effect on job performance and productivity. It is important for organizations to know what rewards are desired by their employees and their perception of the organizational reward system for the following reasons:

- Rewards play an important role in influencing those behaviors which determine organizational effectiveness.
- Organizations need to establish a reward system that is competitive with other organizations in order to be able to attract, recruit, and retain the best people.
- Rewards, especially in the form of monetary rewards, account for a large percentage of an organization's total cost of doing business. Hence anything that can be done to improve the return on this investment will have a substantial impact on organizational profits.

Porter and Lawler (1968) have defined rewards as desirable or positively valued outcomes or returns to a person that are provided by himself (intrinsic rewards) or by others (extrinsic rewards), while Reif, Newstrom and St. Louis, Jr. (1976) defined

organizational rewards as anything that employees perceive as need satisfying. What constitutes a reward for a given individual can range from traditional economic rewards, such as salary and fringe benefits, to psychosocial rewards, such as praise from a superior. To the extent that formal rewards predominate in terms of importance to employees, management is in a good position to influence behaviors leading to performance.

The term reward system is frequently used to refer to a series of interrelated elements which describe (1) the type of rewards available, (2) the conditions under which different rewards are made available to individual members, and (3) the ways in which these rewards and the criteria for their allocation are selected and administered in a given organization (Von Glinow 1985).

Von Glinow (1985) also went on to suggest that the criteria for which rewards are distributed can be grouped into three categories:

- performance results — tangible outcomes, such as individual, group, or organizational performance; quantity and quality of performance.
- performance: actions and behaviors — teamwork, cooperation, risk-taking, creativity.
- non-performance considerations — nature of work, tenure, level in hierarchy.

This study, among other things, will examine some of these criteria as perceived by employees.

The reward systems in many organizations are designed to minimize turnover, ensure adequate manpower, and provide compensation components similar to those of other organizations in the industry. However, many organizations are unaware of which elements in their reward packages are the most motivational and which provides the maximum returns relative to costs, what their employees perceive as the probabilities of obtaining these rewards in relation to the efforts they put in, and what they feel should be the criterion used in determining their rewards.

It is the objective of this study to obtain systematic information on white collar employees' reward preferences and their perceptions on how rewards are and should be determined. At the same time, a few hypotheses will be tested to examine the relationship between demographic characteristics and the dependent variables in the study. Specifically, the hypotheses are as follows:

- H1 1. Preferences for rewards are related to demographic characteristics.

H1 2. Attitudes toward how rewards should be determined are related to demographic characteristics.

Where appropriate all statistical tests were done at the 5% significance level. Level of significance is denoted by the symbol p . Hence any $p \leq .05$ is considered significant.

METHODOLOGY

SAMPLE AND DATA COLLECTION METHODS

The respondents for the study comprised bank officers from four commercial banks located in Kuala Lumpur. This sample of respondents is not a random sample and any generalizations and conclusions must be restricted to the sample in the study.

Data for this study was obtained by means of a questionnaire which was administered to the respondents with the help of their respective personnel departments.

A total of 160 questionnaires were given, of which 118 were returned giving a response rate of 74%. Rate of return ranged from 64% to 83% for the four banks. Among the 118 questionnaires returned, 8 were unusable. The analyses reported in this paper are based on the responses of the remaining usable sample of 110.

VARIABLES AND MEASURES

The questionnaire used consisted of 5 sections. Section 1 of the questionnaire asked respondents to rate 12 reward items on the basis of how important these were to them. The ratings were made on a 5-point Likert interval scale ranging from 1 (very unimportant) to 5 (extremely important). Section 2 asked the respondents to rank these same rewards in order of importance. Section 3 required the respondents to rate these rewards again but this time on the basis of what factors are being considered by the organization in determining these rewards. Section 4 asked respondents to rate 9 reward determinants on the basis of how important they should be in determining rewards, again on a 5-point Likert scale. Finally, Section 5 of the questionnaire asked the respondents to indicate their age, sex, level of education, length of service with the organization, and monthly salary.

SAMPLE CHARACTERISTICS

Females comprised 22% of the sample and 78% were males. About half of the respondents reported a salary of between \$1500—

\$3000. Thirty-five percent of the respondents had tertiary education. Data on age and years of service in the organization are summarized in Table 1 and 2.

TABLE 1. Distribution by Age (N = 110)

Age	Frequency	Percentage	Cum. Percentage
Under 25	1	0.9	0.9
25 - 29	27	24.5	25.5
30 - 34	40	36.4	61.8
35 - 39	20	18.2	80.0
40 - 45	14	12.7	92.7
Over 45	8	7.3	100.0

TABLE 2. Distribution by Length of Service (N = 110)

Years	Frequency	Percentage	Cum. Percentage
1 - 3	25	22.7	22.7
4 - 6	26	23.6	46.4
7 - 10	17	15.5	61.8
11 - 15	16	14.5	76.4
Over 15	26	23.6	100.0

DATA ANALYSIS METHODS

The Statistical Package for the Social Sciences (SPSS-X) computer package was used for data analysis. Appropriate statistical techniques were used to measure central tendency, variability, association and to test the significance of differences.

RESULTS AND DISCUSSION

WHAT REWARDS ARE MOST HIGHLY VALUED?

Table 3 presents the mean ratings on how important various rewards are to the respondents. Preference for the various rewards among the bank officers were not very different from one another judging from the low variances computed. Ninety-six percent of the respondents rated promotion as important (4) and extremely important (5). Intrinsic rewards, such as interesting, meaningful and challenging work, and feedback on performance were also very highly rated with a mean of 4.39 and 4.34 respectively. Ninety-one percent of the respondents considered challenging

work as important and 89% regarded feedback as of importance. Rated as of least importance was larger office space with 40% of respondents stating that it was not of importance.

TABLE 3. Mean Scores on the Importance Attached to Rewards (N = 110)

Reward	Mean	Variance
Promotion	4.41	0.32
Interesting, meaningful and challenging work	4.39	0.42
Feedback on performance	4.34	0.48
High salary	4.25	0.41
Bonus	4.08	0.48
Retirement benefits	4.05	0.63
Training programs	3.99	0.52
Job freedom and responsibility	3.91	0.47
Insurance benefits	3.68	0.84
Profit sharing plan	3.36	0.91
Stock option plan	2.88	0.67
Larger office, assigned parking spaces	2.58	0.70

In terms of ranking, 91% of respondents ranked high salary as one of their 5 most desired rewards while promotion was ranked by 84%, and challenging work by 67% of respondents.

From the above results, it appears that both extrinsic and intrinsic rewards are valued by employees at the management level. A number of respondents also wrote on their questionnaires that medical benefits for the family, car and housing loans, recognition, and a pleasant working environment were desired.

A chi-square analysis between demographic characteristics of the officers and reward variables showed no significant associations between them, with the exception of retirement benefits. That is, preference for these rewards are unrelated to demographic variables. This is contrary to earlier studies done (Nealey 1963; Porter and Lawler 1963). Using pair-comparison techniques, Nealey found the determinants of pay and benefit preference of a large sample (n=1,133) of electrical workers to be related to demographic variables. The Porter and Lawler study of 1,913 managers found higher-paid managers to attach less importance to pay than did lower-paid managers at the same level.

Table 4 presents chi-square analysis results for selected reward variables. The chi-square value between educational level and preference for retirement benefits of 42.458 with 15 degrees of freedom is highly significant ($p = .0002$) that is, educational level attained do influence the preference for retirement benefits.

TABLE 4. Results of Chi-Square Analysis between Demographic Variables and Reward Variables (N = 110)

	High Salary	Promotion	Retirement Benefits	Feedback	Responsibility	Challenging Work
Age	8.426	5.807	21.326	12.334	11.656	17.119
Education	10.371	3.827	42.458*	24.937	22.702	10.320
Years of service	4.743	5.529	15.263	12.880	16.057	15.451
Salary level	7.814	5.710	14.774	23.972	20.142	14.722

* df = 15, p = .0002

In an earlier study, Reif, Newstrom and St. Louis, Jr. (1976) found sex to be a discriminating variable in reward decisions. Their study found significant differences between male and female employees' (technicians, operators, and clerical) perceptions of compensation and economic benefits, with male workers considering these as significantly more important than the female workers.

A t-test was used to test the hypothesis that there will be significant differences between male and female bank officers in their preference for each of the 12 reward variables in the study. Results (Table 5) show no significant mean differences between

TABLE 5. T-Tests for the Effect of Sex by Reward Category

Reward	t-value	Level of significance
High salary	0.04	0.968
Bonus	- 0.68	0.502
Stock option	- 0.30	0.765
Profit sharing plan	- 0.20	0.839
Promotion	0.08	0.936
Training programs	0.07	0.948
Insurance benefits	1.10	0.278
Retirement benefits	- 0.34	0.737
Larger office	0.27	0.792
Feedback on performance	1.01	0.318
Job freedom & responsibility	0.71	0.484
Interesting, meaningful, and challenging work	0.20	0.840

male and female employees for all the reward variables. Thus this hypothesis was not substantiated for this sample.

HOW ARE REWARDS DETERMINED?

Table 6 gives the percentage of respondents rating factors which are perceived to be the main determinants of rewards. The results tend to indicate that bank officers seem to perceive individual performance as the main factor used to determine promotion with 77% of the officers reporting that promotion is determined almost entirely by this factor. Individual performance was also seen to be the major factor in determining feedback on performance, and challenging work.

Retirement benefits are seen to be determined almost entirely by tenure (53%) and the fact that one is an employee of the organization (58%). Bonus is perceived to be tied more to corporate performance.

Other factors not provided in the questionnaire, such as race, knowing the right people, and office politics, were also reported by some as influencing factors in determining rewards.

TABLE 6. Responses to How Rewards are Determined (percent values)

Reward	Individual Performance	Corporate Performance	Tenure	Being an Employee
High salary	65 (n=100)	19 (n= 99)	39 (n=99)	6 (n=95)
Bonus	32 (n= 97)	64 (n=100)	12 (n=96)	24 (n=95)
Promotion	77 (n=100)	8 (n= 96)	25 (n=99)	12 (n=96)
Retirement benefits	17 (n= 91)	27 (n= 90)	53 (n=92)	58 (n=92)
Feedback	62 (n= 98)	14 (n= 92)	8 (n=93)	23 (n=95)
Challenging work	59 (n= 97)	20 (n= 95)	14 (n=94)	13 (n=93)

HOW SHOULD REWARDS BE DETERMINED?

As indicated in Table 7, which presents the mean ratings on how rewards should be determined, the quality of job performance was reported to be the most important factor. Eighty-two percent of the respondents rated this factor as being extremely important. Undoubtedly, the social acceptability of this position may have inflated the officers' responses to this item. However, their response still suggest that they, at least in principle, are in favour of reward systems based on merit. This supports the previous work done by Lawler (1966) in which managers in the study reported that the quality of their performance should be the most important determinant of their pay.

Respondents also regarded amount of effort put in and experience as important factors that should be used as criteria in determining rewards. In general, length of service was seen to be of moderate importance only.

TABLE 7. Mean Scores on the Importance Attached to Factors that should be Used to Determine Rewards

Factor	Mean	Variance
Quality of job performance	4.80	0.20
Amount of effort put in	4.27	0.59
Responsibility and pressure in job	4.19	0.47
Experience	4.03	0.69
Corporate performance	3.80	0.48
Education and training	3.62	0.59
Job level	3.62	0.59
Length of service	3.17	0.70
Being an employee	2.64	0.82

Table 8 presents chi-square analysis results between the demographic characteristics of the respondents and the importance they attach to the nine factors listed in determining their rewards. As can be seen from the results, most of the chi-square values are insignificant. Only 2 out of the total 36 values (approx. 5.5%) are significant.

Data from the sample indicate a significant chi-square between educational level and the experience factor that is, those who differ in terms of educational level attained tend to differ in their opinions as to how important experience should be in determining rewards. This may be due to respondents with higher education regarding experience as of less importance in determining rewards and preferring merit instead as a determinant for rewards. Andrew and Henry (1963) suggested that with increased amounts of formal education, there was a strong trend for greater emphasis on merit as opposed to seniority.

With regard to differences between the sexes, t-test results show that there is no significant mean differences between male and female bank officers for all the variables tested, except for corporate performance as a reward determinant. Male officers were more in favor of corporate performance as a determinant of reward than their female counterparts ($t = -2.04$, $p = 0.048$). Otherwise, both male and female employees were in agreement as to the importance of the various factors that should be used in determining their rewards.

TABLE 8. Results of Chi-Square Analysis between Demographic Variables and Attitudes Toward How Important Each Factor should be in Determining Rewards

	Age	Level of Education	Years of Service	Salary Level
Quality of performance	4.314	4.619	3.842	9.880
Amount of effort	12.737	17.816	16.367	20.125
Corporate performance	16.057	13.193	14.048	18.158
Length of service	19.313	19.848	17.438	19.125
Being an employee	10.949	29.700	14.769	17.334
Job pressure/responsibility	7.570	14.298	9.830	11.546
Job level	9.986	17.933	18.754	11.421
Education & training	5.528	20.218	11.047	28.976*
Experience	14.842	26.290**	* 10.037	11.650

* df = 15, p = .016

** df = 15, p = .035

CONCLUSION

Results from the study indicate that reward preferences among bank officers do not differ substantially from each other and are mostly unrelated to demographic characteristics. The results also suggest that merit is highly favored as a reward determinant, followed closely by amount of effort put in and job responsibility and pressure. With regard to how rewards are perceived to be actually determined, promotion and high salary are seen to be tied to individual performance, bonus to corporate performance while retirement benefits are seen to be tied more to tenure and being a member of the organization.

It should be noted that the non-random nature of the sample is a limiting factor in interpreting results. Additional research using random samples from other organizations, and perhaps using a larger sample size, is needed to determine if these results can be generalized to other settings.

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