

An Introduction to Non Monetary Rewards

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Introduction: It is widely accepted by the organizational theorists that manpower is one of the most important assets of an organization, because things are getting done through employees. In other words, the success of an organization in realizing its objectives heavily depends on the performance of its employees. Therefore, it is important to focus on the factors affecting the performance of the employees. The most important factor which affects performance is the reward that we get for working. It is very obvious for human beings to work for rewards, and we all are working for some or the other kind of reward. It is not only at office that we work for rewards, but generally speaking we do everything for getting some reward, whether it is related with our personal lives or professional. We eat (work) to get energy (reward), we exercise (work) to remain fit (reward), we buy clothes (work) to look good (reward) and so on. On the contrary if these rewards are not present, we lose interest in work. The purpose of this study is to highlight the importance of non monetary rewards in today's competitive era, where money can lure away the most efficient employees from the organization.

Rewards and Benefits: Rewards can be defined as return or recompense for service or merit or requital (payment) for good or evil. (Cameron, Politano, Macnaughton, Tate, 1997). Alternatively, a reward is an appetitive stimulus given to a human to alter his behavior. Rewards typically serve as reinforcer. A reinforcer is something that, when presented after a behavior, causes the probability of that behavior's occurrence to increase. Rewards are generally considered more desirable than punishment in modifying behavior. In organizations the rewards are given so that good performance is repeated more often.

Employee benefits also called fringe benefits, perquisites, perks are various non-wage compensations provided to employees in addition to their normal wages or salaries.(BLS, 2008). Examples of these benefits include: housing (employer-provided or employer-paid), group insurance(health, dental, life etc.), Protection, retirement benefits, daycare, tuition reimbursement, sick leave, vacation (paid and non-paid), social security, profit sharing, funding of education, and other specialized benefits. The purpose of employee benefits is to increase the economic security of staff members, and in doing so, improve worker retention across the organization. (Burns, 2011).For the purpose of this study the impact of terms Rewards and Benefits have been taken together and referred to as Rewards.

Money as a Reward: It is a fact that all human beings work to earn money and hence do their regular routine job to earn money. Moreover, money is known to be the most important factor in motivating employees. Salary, Incentives, monetary rewards all have the capability to motivate employees, because money only can satisfy the basic necessities or first three levels of need in Maslow's hierarchy of needs. In fact the role of Money as a motivator has been a battleground for many years. In truth organizations seldom think about what sort of things employees really need to feel motivated. All too often line management and top management persist in relying

predominantly the financial rewards assuming that they will coincide with whatever it is that motivated their staff. But the fact remains that only the basic necessities are being fulfilled by money, and as soon as these basic necessities are satisfied, money no more motivates an employee. Here the intrinsic factors, the more powerful levers for motivating and retaining employees take the place of Money. Take for example job security, job satisfaction, intellectual stimulation and career development. And recognition and opportunities for achievement are essential- albeit underused motivational techniques. (Thompson, 2002).

But, a bigger fact is that an employee will leave the job instantly, if he is offered a higher salary by other employer. In such cases, the existing employer may or may not be able to retain him back by offering him the similar salary. So what are those things which will motivate an employee to be retained in the organization? Probably the non-monetary rewards, if not the monetary ones.

Non Monetary Rewards: Employee Reward covers how people are rewarded in accordance with their value to an organization. It is about both financial and non-financial rewards and embraces the strategies, policies, structures and processes used to develop and maintain reward systems. (Arul Pearl, 2009). Non-monetary or non-cash incentives do not involve direct payment of cash and they can be tangible or intangible. Non-Monetary Reward is a means of providing immediate, non-cash rewards to employees for contributions to the Organization.

Some examples of this kind of incentives are; encouraging the employees by providing them with autonomy in their job and participation in decision making, assigning challenging duties, improving working conditions, recognizing good work through small gifts, letters of appreciation, plaques, tickets to restaurant etc., providing some services for the employees, organizing social activities in the work place, etc.(Kovach, 1999) .

Extrinsic rewards—usually financial—are the tangible rewards given employees by managers, such as pay raises, bonuses, and benefits. They are called “extrinsic” because they are external to the work itself and other people control their size and whether or not they are granted. In contrast, intrinsic rewards are psychological rewards that employees get from doing meaningful work and performing it well. Extrinsic rewards played a dominant role in earlier eras, when work was generally more routine and bureaucratic, and when complying with rules and procedures was paramount. This work offered workers few intrinsic rewards, so that extrinsic rewards were often the only motivational tools available to organizations.

The following non monetary rewards serve as a motivational and retention tool in organizations:

Intangible Non Monetary Rewards	Tangible Non Monetary Rewards
Recognition of Work	Medical Insurance
Appreciation	Movie Tickets
Democracy at workplace	Personalized Gifts (Pen, T-Shirts, Mugs, Planners etc)
Flexible working Hours	Laptop/Cellphone

Career Planning	Outdoor Trip
Work environment Upgrade	Lunch with CEO/MD etc
Opportunity to Contribute	Annual award
Training opportunity	Employee of the month Award.
Setting Clear Expectations	Opportunity of Education
Job rotation	Recognition of Birthdays etc.
Job Enrichment	
Autonomy	
Supportive supervisor etc.	

Importance and Advantages of Non Monetary Rewards: We've all heard the statistics on how staff members like to be recognized and rewarded for doing a good job. That a pat on the back or a "thank you" can mean more to a person than any amount of money. Employees not only want good pay and benefits, they also want to be valued and appreciated for their work, treated fairly, do work that is important, have advancement opportunities, and opportunities to be involved in the organization. Recognition and rewards play an important role in work to attract and retain their employees. It is the day-to-day interactions that make employees feel that their contributions are appreciated and that they are recognized for their own unique qualities. In any organization or group, there is always the need for rewards to keep members motivated. Studies have been made about the effect of positive reinforcement especially in the workplace.

All too often, workers feel abused and unappreciated by the companies for which they toil day in and day out. Layoffs, stressful work conditions, ever-increasing demands, unappreciative bosses, and unsupportive peers contribute to employee disengagement. At the heart of the matter is the employee-employer relationship. To perform at their best, workers must feel welcomed, valued, and appreciated. Non-monetary rewards help companies address these relationship needs. (Leena Thampan, 2013).

Reward is the devoid of financial implication or that is not in money form has gained popularity in today's organization for more than one reason. Employees who are financially well rewarded look for some kind of recognition that fulfills their self esteem and self actualization needs. Employees, who may not be financially very well rewarded, get stimulated for better performance through recognition oriented rewards. This is a great opportunity got with the organizations to leverage on this recognition need in order to capture best performance. (Kandula, 2006)



The Above picture (Herrington, 2010) clearly shows the kinds of rewards which satisfies the different needs of Individuals at different levels.

The ways in which people are valued can make a considerable impact on the effectiveness of the organization, and is at the heart of the employment relationship. The aim of employee reward policies and practices, if any of the organization is to help attract, retain and motivate high-quality people. Getting it wrong can have a significant negative effect on the motivation, commitment and morale of employees. Recognition is the most cost-effective motivator. While the high cost of other rewards forces us to give them sparingly, recognition can be given any time, at very little cost.

Non Monetary Reward in the form of Recognition is a leadership tool that sends a message to employees about what is important to the leaders and the behaviors that are valued. Managers can use this tool to help employees understand how their jobs contribute to the company's overall goals and how their performance affects the achievement of those goals. Often people have come to accept the notion that an employee is paid to do their job. So why should they be praised for doing what they're paid to do? Praise of an employee reinforces, recognizes and motivates behaviors that you, as the manager, want to see.

The Expert's Review: Traditional rewards such as base pay and benefits remain important fundamentals that companies must get right in order to compete for and retain key talent. But non financial rewards that focus on the needs of the employees for recognition, responsibility, achievement and personal growth are seen as having a deeper and longer lasting impact on motivation and commitment than transitory financial rewards. As Murlis and Watson (2001) puts it. Research suggests that, by and large, rewards succeed at securing one thing only: temporary compliance. They do not create an enduring commitment to any value or action. They merely and temporarily change what we do. (Kerr, 1997) Deeprose in 2007 presented another paradox: In surveys of information technology workers in particular, respondents said that what they

wanted most were things like, job challenge, flexible schedules, and additional time off. But more money was right up at the top of the list of reasons for changing jobs.

On his website <http://www.awesomeawards.com> Jeff Anderson, (2005) writes that although considered an important need for survival, money and other material things cannot fully satisfy one's being. Everyone has their own psychological needs to fulfill and this is a good target for employee rewards. Aside from bonuses and other materialistic prize, employees will be happy to receive any of the non-monetary rewards listed in the website. He also suggests that rewards do not necessarily have to be expensive to show sincere appreciation. Hardworking people are sometimes satisfied with just the thought that someone recognizes their efforts. Non-monetary employee rewards can be in any form as long as the sincerity is present.

Employee reward systems refer to programs set up by a company to reward performance and motivate employees on individual and/or group levels. They are normally considered separate from salary but may be monetary in nature or otherwise have a cost to the company. While most employees certainly appreciate monetary awards for a job well done, many people merely seek recognition of their hard work. For an entrepreneur with more ingenuity than cash available, this presents an opportunity to motivate employees.

United States Department of Agriculture (FSA-Farm service agency) agrees that Non-monetary recognition is a symbolic means to communicate to employees that their contributions are valued and appreciated. These Initiatives can go a long way in creating employee/employer loyalty and respect.

Monetary rewards have very short-term benefits as opposed to non-monetary ones. Also, it's been observed that employees often complain after receiving monetary gains and usually aren't satisfied with the benefit given. Therefore, it is better to move from monetary forms of benefits to intangible ones' writes Priya Nair, Economic Times-Ascent.

Farkiya, Rashmi, 2010 during her survey at Grasim Industries Ltd. found that most of the employees between 20-40 years of age are in favor of cash rewards where as employees above 40 years of age considers that their recognition should include non cash rewards instead of cash rewards. Similarly Smith (2001) argued that money gets employees in the door but it doesn't keep them there.

A Final Word: Pay is an important consideration for most workers in accepting a job, and unfair pay can be a strong de-motivator. However, after people have taken a job and issues of unfairness have been settled, we find that extrinsic rewards are now less important, as day-to-day motivation is more strongly driven by intrinsic rewards. (Thomas, 2009). Although considered an important need for survival, money and other material things cannot fully satisfy one's being. Everyone has their own psychological needs to fulfill and this is a good target for employee rewards. People do work for money, but they even for meaning in their lives. In fact they work to have fun. Companies that ignore this fact are essentially bribing their employees and will pay the price in a lack of loyalty and commitment. (Pfeffer, 1998). The meaning and satisfaction can be provided only by Intrinsic or non monetary rewards as discussed above. Smart employers use a variety of hard (monetary) and soft (non-monetary) employee compensation strategies to make it difficult for other companies to steal their people away. (www.mondaq.com) Keep in mind that employee compensation constitutes only one piece of the puzzle. If all the other pieces – the environmental, relationship, support and growth strategies – don't fit together into one interlocking whole, you won't be able to pay people enough to work for you.

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