

THE RELATIONSHIP BETWEEN FINANCIAL AND NON-FINANCIAL REWARDS ON EMPLOYEE'S JOB SATISFACTION AT MANUFACTURING INDUSTRIES IN MALAYSIA

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Abstract: Reward is the basic needs in upgrading employee's pleasure which influence their job execution. In order to retain the employees, overall work performance led by employee satisfaction will give benefits for companies in this competitive labour market. This paper aims to explore the influence of financial rewards and non-financial rewards in relation to employee job satisfaction. Questionnaires were distributed to employees in manufacturing industries in the southern region of Malaysia. In total, 300 self-administered were distributed. However, there are 169 samples were accepted and analysed through statistical software. In order to identify the relationship between independent variables and dependent variable, Pearson correlation analysis was conducted. The result shows both financial and non-financial rewards are significant with employees' job satisfaction. Most of the employees in manufacturing industries in the southern region of Malaysia are satisfied with the rewards offered by their respective companies. This outcome might give light to other manufacturing companies and promote the importance of having an appropriate reward policy.

Keywords: Financial rewards, Non-financial rewards, Job satisfaction, Manufacturing industries

Introduction

One of the main contributors to Malaysia's Gross Domestic Product is the manufacturing industry which reported of RM254.2 billion in 2016 (Economic Planning Unit, 2016). It is also reported that the manufacturing sales in Malaysia has been increased 13.6% in March 2017 (Department of Statistics Malaysia, 2017). However, in year 2013, the general industry in Malaysia has reported that employee turnover rate has increased from 12.3% in 2012 to 13.2% in 2013 which includes 24% were from manufacturing employees (Willis Towers Watson,

2014). Besides, in year 2015, Aon Hewitt TCM 2015 Survey in Malaysia found unemployment rate has been slightly increased by 3.0%.

According to the Global Workforce Survey 2014 by Towers Watson, it has been found that most employers facing challenges in retaining their employees. The survey also mentioned that the main driver for employee retention is the reward which the top three are the salary, the career development opportunities and the relationship between employees and supervisor or manager. This is also been proven by the survey of Malaysians Employers Federation (MEF) shows 93.8% of respondents granted for salary increase. However, most organizations are too focused on financial reward but they have been overlooked the non-financial reward (Bustamam, Teng, & Abdullah, 2014; De Gieter & Hofmans, 2015). This shows that, it is vital for the employers to structure their reward system based on the employee's demand.

As the Malaysian manufacturing sector expanding, the main objective of this study is to explore whether the financial and non-financial rewards offered by the employees in manufacturing industry in Malaysia lead to the job satisfaction. Additionally, the result of the study will show lights to manufacturing employers in providing the effective reward system whether financially or non-financial reward as to reduce the number of employee's leave the organization.

Literature Review

Definition of reward

In any organizations, human resources played an important role to achieve organization goals. However, motivation is the key on how effective and efficient is the human resource (Zeb, Rehman, Saeed, & Ullah, 2014). The concept of reward has extended much prominence in motivating employees. In attract and keep the most competent employees, rewards are used as an instrument in influencing their behaviour and provide employees the guidance towards good performance (Bustamam et al., 2014; Hofmans, Gieter, & Pepermans, 2012). The need of retaining talented employees are important as it will create a competitive advantage of organization (Yousaf, Latif, Aslam, & Saddiqui, 2012). It is agreed by Qun, Akhtar, & Nazir (2015), reward is acted as a significant tool between employees and organizations in which they work. Reward also works as exchanging tool for hard work and increasing employee performance (Bustamam et al., 2014). While, Rehman, Khan, Ziauddin, & Ali Lashari (2010) defined reward consists of the entire benefits offered to employees.

According to Khan, Shahid, Nawab, & Wali (2013), employees will tend to feel they are well-rewarded and motivate if the amount of the pay is equal to the work that they do. Though, besides satisfying employees' physical needs rewards also provide them a position to influence the organizations' performance (Terera & Ngirande, 2014). Most of the employees that feel burnout in workplace usually they do not feel that they are motivated. The absence of rewarding system might create an unpleasant environment, hence it will demotivate employees and contribute to job turnover (Bustamam et al., 2014). Furthermore, the reward also will be the driver in attaining organization's objectives and contributes to low employees' turnover intents (De Gieter & Hofmans, 2015). There are two main reward system can be categorized; financial and non-financial rewards.

Financial reward

Compensation has been found one of the employees' needs in influencing their motivation which includes financial incentives to the services rendered by the employees (Ali & Akram, 2012). In retaining the most intelligent and competent employees, financial rewards played an important role for that purpose and also rewarding them for the excellence job might makes them outclass in their (Olubusayo, Stephen, & Maxwell, 2014; Özutkua, 2012; Terera & Ngirande, 2014). Furthermore, Khan et al. (2013) agreed that financial reward will improve employees' quality of life.

Financial reward can be identified as salary, bonus, transportation facility, medical facility and both life and health insurance (Yousaf et al., 2012). Olubusayo et al. (2014) added that retirement plans, employees stock and profit sharing also one of the financial rewards that might retain employees in the organisation.

The need of financial incentives among employees has been seen as a crucial element. This is due to the stress of high living cost especially towards the employees with family to supports (Mustapha, 2013). Moreover, employees believe that greater income will make them feel secure for their upcoming life (De Gieter & Hofmans, 2015; Özutkua, 2012). Nevertheless, according to (Nyaga, 2015), the financial reward does not give impact to the daily basis of employees as what actually employees look for is the quality of their work experience. Moreover, it is been supported by Terera & Ngirande (2014) which mentioned financial reward is one of poor motivation factor if companies are failed to provide the competitive salary.

Non-financial reward

The nature of the work recently has changed the demand of employees on having incentives not only financially but also the needs of non-financial incentives (Nyaga, 2015). He also mentioned that managers should aware the needs of employees and provide different type of rewards are essential nowadays. Olubusayo et al. (2014) found that the non-financial reward ascends from regular psychological needs, such as needs for competence and making decisions.

Bustamam et al. (2014) supported that not all employees shows the need of monetary rewards, but they will feel appreciated when managers provide with other different ways of such as recognition. Other than that, continuous learning opportunity, challenging task, career development and a simple congratulation might be rewarded to employees who that excel their given position (Aktar, Uddin, & Sachu, 2013). In addition, employees also concerned with non-financial incentives that demonstrate supports towards employee's family members by providing family benefits as elder care or childcare facilities (Gabriel & Nwaeke, 2015; Terera & Ngirande, 2014). The non-financial rewards also commonly arise from in other intangible form such as better working environment, empowerment and (Nyaga, 2015; Sabina, Okibo, Nyang'au, & Ondima, 2015).

Job satisfaction

Singh & Jain (2013) describes job satisfaction as a complex occurrence with many aspects and influenced by the factors such as salary, working setting, autonomy and many other factors. In order to have employees to be effective, job satisfaction is the key to achieve (Bustamam et al., 2014). Moreover, he also added that job satisfaction also can contribute to the achievement of

organization's goals and acted as important element in developing distinctive competencies of organizations. However, according to (Rehman et al., 2010), job satisfaction been defined as a positive feeling from their job experience and employee's evaluation towards their work outcome. According to Herzberg theory, by fulfilling the employees' need in all stages will resulted to job satisfaction (Aktar et al., 2013). The job satisfaction also can be defined as a sense of employees perception regarding their job and actions concerning to the organisation (Gabriel & Nwaeke, 2015; Priya & Eshwar, 2014).

By considering job satisfaction, most organizations offer rewards to employees which will act as the motivator of employees. Priya & Eshwar (2014) mentioned that the crucial element for employees to increase their performance and retain in the company is to provide an attractive reward system. Many studies found out that employees will keep to a positive value towards their trade and low inclination of leaving intention when they have better job satisfaction. Conversely, employees with poor level of satisfaction contributes to great absenteeism and high tendency of leaving the organisation (Gabriel & Nwaeke, 2015; Priya & Eshwar, 2014; Qun et al., 2015).

Relationship between reward and job satisfaction

It is a continuous challenge for organizations to fulfil the job satisfaction of employees. However, a good reward system might give an insight for organizations to retain employees. According to Priya & Eshwar (2014) reward must be strategically plan in achieving goals. It is because it can be the motivator for employees which will improve job satisfaction. In the same study, the results show there is a relationship between reward and job satisfaction among bank employees. It is also resulted that the bank employees essentially prefer financial reward. Furthermore, the amount of reward that employees feel they are deserves also is a crucial element in job satisfaction (Aktar et al., 2013). However different employees have different motivation drivers. Some studies found financial reward is more important in satisfying employee's needs and vice versa (Ali & Akram, 2012; Gabriel & Nwaeke, 2015).

Since there are many organizations facing problems in attracting and retaining employees, employers need to restructure their reward system in order to value his/her efforts and performance (De Gieter & Hofmans, 2015). This is supported by the study of Khalid & Ayub (2015) which mentioned reward as motivation is important not only to increase employee's satisfaction and productivity but also will create a competitive advantage of organizations in having competent workforces.

Theoretical Framework

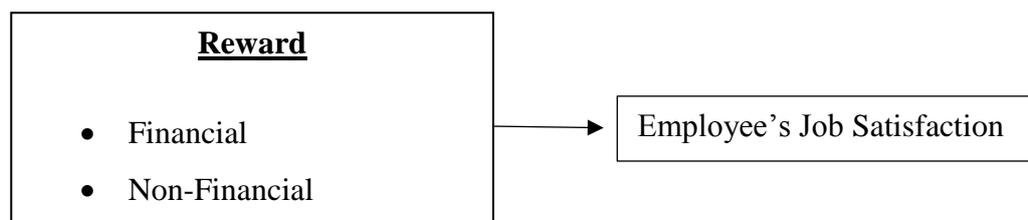


Figure 1: Theoretical framework

Figure 1 shows the theoretical framework of this study which adopted from Rehman et al., (2010). This model has proposed financial reward and non-financial reward as the independent variables. Whereas, employee's job satisfaction as the dependent variable. The literature has been reviewed in supporting the relation between reward and job satisfaction which has been illustrated in Figure 1.

Research Methodology

This research was conducted through quantitative analysis. The respondents for this study are the employees from the manufacturing industries in Johor. The questionnaire was sent to the 250 respondents. But only 169 questionnaires were returnable. Sample was selected by using convenience sampling, which is a type of non-probability sampling techniques. This is the most common of all sampling techniques. By using this technique, samples were selected based on their accessibility and easy to recruit. This technique was applied in this study because it easiest, cheapest, and least time consuming.

The questionnaire was divided into three sections; which are demographic data sections, financial rewards and non-financial rewards section and employee job satisfaction. Section A consists of seven (7) items that captured demographic variables such as gender, age, education, and job tenure. Section B consist of eight (8) items that were used to measure financial rewards and ten (10) items were used to measure non-financial rewards. This questionnaire was adopted from Bustamam et al. (2014). Likert 5-point scale which ranging from "1 = strongly disagree" to "5 = strongly agree". Section C of this questionnaire consisted of twenty (20) items which used to measure the employees' job satisfaction. The Minnesota Satisfaction Questionnaire (MSQ) developed by Weiss, Dawis, England, and Lofquist (1967) was used to measure the level of job satisfaction. Participants need to rate their level of satisfaction by using Likert 5-point scale, ranging from "1 = very dissatisfied" to "5 = very satisfied". All the data of this study was analysed by using IBM SPSS version 24.0.

Discussion and Recommendation

Table 1: Demographic profile of respondents

Items	Categories	Frequency	Percentage (%)
Gender	Male	112	66.3
	Female	57	33.7
Race	Malay	52	30.8
	Chinese	26	15.4
	Indian	51	30.2
	Others	40	23.7
Age	18-20	20	11.8
	21-30	82	48.5
	31-40	57	33.7
	41-50	10	5.9
Marital Status	Single	90	53.3
	Married	79	46.7
Educational Level	SPM	107	63.3
	Diploma	35	20.7
	Bachelor Degree	26	15.4
	Master Degree	1	0.6
Job Tenure	< 1 year	38	22.5
	1 – 3 years	93	55
	4 – 6 years	32	18.9
	7 years and above	6	3.6
Salary Level	< RM1000	8	4.7
	RM1001 – RM2000	87	51.5
	RM2001 – RM3000	52	30.8
	> RM3000	22	13

Table 1 shows the demographic profile of the respondents. Majority of the respondents are male with 66.3% while female represent 33.7%. Malay respondents were dominated this study which is represent 30.8%, followed by Indian with 30.2%, others 23.7% and Chinese with 15.4%. Most of the respondents were between 21 – 30 years old with 48.5%, then followed by the 31 – 40 years old (33.7%), 18 -20 years old (11.8%) and 41 – 5years old (5.9%).

There are 53.3% of the respondents were married while 46.7% still single. Most of them are from SPM holder which represent 63.3%, followed by Diploma holder (20.7%), then Degree holder (15.4%), and lastly followed by Master Degree holder which is only 0.6%. Based on this study, most of the respondents have work from 1 – 3 years old (55%), followed by less than 1 year (22.5%), and only 3.6% of the respondents have been work for more than 7 years. The salary level that most received by the employees are from RM1001 – RM2000 which is represent 51.5%, followed by RM2001 – RM3000 with 30.8%, then only 13% of the respondents received more than RM3000 and only 4.7% of the respondents get less than RM1000 as their salary.

Reliability test

Table 2: Cronbach's Alpha

VARIABLES	CRONBACH'S ALPHA	NO. OF ITEMS
Financial rewards	0.858	8
Non-financial rewards	0.870	10
Job satisfaction	0.919	20

The Cronbach's Alpha was measured in order to establish the internal consistency between dependent and independent variables. The Cronbach's Alpha value for financial rewards is 0.858 (8 items), for non-financial rewards is 0.870 (10 items), and for job satisfaction is 0.919 (20 items). It shows that there is a high internal consistency between all variables.

Pearson correlation

Table 3: Pearson Correlation

	Financial rewards	Non-financial rewards	Job satisfaction
Financial rewards	-	0.657**	0.666**
Non-financial rewards	0.657**	-	0.713**
Job satisfaction	0.666**	0.713**	-

Table 3 shows that both of the financial and non-financial rewards were positively correlate with job satisfaction. Result also indicates that there is a significant relationship between all variables. Financial rewards show strong positive relationship with 0.666** ($P < 0.05$). This result indicated an increase in rewards will lead to satisfied employees. This result was supported by Mustapha (2013) which stated that there was a positive relationship between financial reward and job satisfaction among academic staff at Public Universities in Kelantan. The author also suggested that organization should consider financial rewards as one of the factors in promoting job satisfaction among their employees.

From the result, it can be seen that majority of the employee's salary is between RM1001 – RM2000. In Peninsula Malaysia, the poverty threshold of income from 2014 is RM930 (Chi, 2016). Even though the majority income level has not been categorized as poverty in Malaysia but the shrinking of ringgit and the high cost of living has demanded those employees to be more financially rewarded (Meikeng, 2017).

Non-financial reward also shows the strong positive relationship with job satisfaction which is 0.713 ($P < 0.05$). This result was supported by Tausif (2012) which reveal that non-financial rewards have positive relationship with job satisfaction and are the strong determinant of job satisfaction for the employees in public educational sector of Pakistan. A research that has been done in hotel industry in Malaysia has also found that the non-financial rewards has been positively correlated with job satisfaction (Bustamam et al., 2014). McGregor (1985) cited in

Bustamam et al. (2014) debated that once jobs boredom has established, the financial reward will acted as employee's motivation.

Conclusion

In an organization, job satisfaction is a major challenge. One of the challenges is to ensure that employees satisfied with the rewards provided by the organization to them. This study empirically examined the relationship between financial and non-financial rewards with job satisfaction among employees at manufacturing industries in Johor. It concludes that there is a significant relationship between financial reward and non-financial reward with job satisfaction. Result also indicates that there is a positive relationship between these two types of rewards with job satisfaction. It means that if the organization can provide more reward in terms of financial and non-financial, employees will be more satisfied and automatically will increase their performance.

Based on the result of this study, HR manager at manufacturing industries in Johor should strategically readjust their rewards system in order to achieve the organizational goals. HR manager also must ensure that their reward system can boost the motivation of their employees to perform better and automatically will increase employees' job satisfaction in manufacturing industries in Johor.

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