

IMPACT OF REWARDS ON PERFORMANCE OF DIVERSE WORKFORCE IN BANKING SECTOR

By

¹Syeda Umaima Riaz, and ²Syed Shahid Zaheer Zaidi

ABSTRACT

The focus of the research was performance of employees in relation to rewards because performance is the most important factor in determining the organization's future. The purpose of the study was to analyze how rewards impact performance of workforce in banking sector of Karachi. The methods that used in research were both qualitative and quantitative. The subjects were the employees from a commercial bank of Karachi to which questionnaires were administered. The study identified that there existed a significant relationship between rewards and performance yet the diversity in the workforce had different motivation level for the different rewards. It was concluded that HR while designing and executing the reward system for workforce must consider the challenges of workforce diversity. Covid-19 has changed the environment of work place internationally as well as nationally, so it is mentioned the concept of Basic Income.(UBI).

Key Words: Rewards, performance, workforce diversity, HR, motivation, UBI.

INTRODUCTION

The effective functioning of an organization depends on how its employees performs their jobs. One essential element in the survival of organization in competi-

¹ PhD Scholar, Department of Public Administration, UoK

² Assistant Professor, Department of Public Administration, UoK

tive market is its employee's performance in the tasks and duties, assigned them to achieve the organizational goals and targets. Organizations all over the world set different strategies and policies to assure the highest performance of all its human resources as they are the real assets of theirs, although other resources such as monetary and capital have their significance but their skillful utilization depends on the human resources.

The performance of an employee is not simply the relationship between inputs and outputs, but it is the outcome of all its efforts utilized in the accomplishment of the assigned duties. From the performance of employees, we determine the performance of the organization; hence it is significant in deciding the future of the organization.

All organizations work on the improvement and management of their employees' performance, they design different methods and devise certain instruments for measuring, monitoring and improving their performance. The reward is one of the instruments that every organization operates to elevate the performance of employees. The rewards are extrinsic (financial) and intrinsic (non-financial) former involves wages, bonuses and other tangible incentives, later includes intangibles like recognition, achievement, challenging jobs etcetera.

The organizations in the global era are dealing with diverse workforce. Globalization has intervened to local organizations which causes diversity in the workforce of the organization hence, satisfying and motivating each employee has become difficult for the human resource professionals. Diverse workforce is the employees from different cultures, race, age, ethnicity, gender, language and other intangibles like these. Each country has its own culture and values the HR professionals must understand what can persuade its workforce towards performance, "it is observed that workers in China gain low level of motivation through recognition and praise, while it is evident that workers in North America get highly motivated by praise". (Worldatwork, 2010).

HR with line managers can communicate and influence employees about the rewards program. They can positively reinforce the talent towards the higher performance. (McMullen & Stark, 2008).

Similarly, in Pakistan every organization work hard to minimize the turnover and improved performance of their employees. Due to economic conditions women in Pakistan also came out to support their families. Karachi is the biggest cosmopolitan city of Pakistan absorbing so many people in it belonged to different cultures and ethnicities making the workforce diverse in organizations. It is the financial and commercial hub of Pakistan comprised of many economic and industrial sectors. The

banking sector is the largely expanding business in Pakistan that has widened its area all over the country.

The rewards are motivators, but it varies employee to employee a reward that motivates a particular employee may not motivate others. The rationale for this research lies in the working of the rewards that how rewards help in performance management of workforce in banks. As bank is one of the institutions that deal with so many customers and providing services to them, so it is really important that banks' employees are motivated enough to give high level of performance and satisfied their customers.

Covid-19 has changed the environment of workplace internationally as well as nationally, so it is mentioned the concept of basic income (Eikhof, 2020).

Hence the objectives of this research are:

1. To identify how strategic rewards motivate workforce performance
2. To analyze right rewards for employees in different job levels, age and gender

Company Profile

Bank Alfalah Ltd incorporated as public limited on the June 21st, 1992 under Companies ordinance 1984. The formal operations of banks commenced in November 1997. The bank is operated his commercial and banking services as defined in Banking Companies Ordinance, 1962. The Bank is currently operating through various branches in Pakistan, Bahrain, Bangladesh & Afghanistan, with the registered office at B.A. Building, I.I. Chundrigar Karachi.

The performance management of the bank is responsible for the improved performance of the bank and its staff. It also works for maintaining the good relationship between employer and employee. It provides career development opportunities to the staff, awards and bonuses, promotions. To retain the top talent bank used strategies like job rotation, career counseling, different rewards and recognition schemes etc.

Literature Review

The performance of the employees is a systematic process through which organization achieves aims and objectives of its mission statement. The process involves three major elements; inputs, throughputs and outputs. Employees start the process by transferring their skills and knowledge in the form of inputs to the system which further go through the human resources activities that converted these inputs into the

outputs (Shields, 2007).

Moorhead and Griffin (1989) defined performance as “the total set of job-related behaviors employees engage in” (p.154). It is more than the productivity of an employee; performance cannot only be determined through the results of the duties and tasks it rather involves activities which not only enhance the efficiency of employee but also raise the overall productivity of the organization.

Employee performance embraces many factors in it which are interrelated and interdependent to each other such as needs, skills, motivation, satisfaction etc. Moorhead & Griffin (1989, p. 103) defined motivation as “the forces that cause people to behave in certain ways.” Employees perform their jobs to get something out of it which are the outcomes of their efforts.

The outcomes are hidden in the jobs of employees in the form of rewards; the pay or salary merely cannot be acknowledged as rewards but the term is more than that and known as a total reward approach that refers to “all forms of returns- direct and/or indirect, short-term and long term, financial as well as non-financial – that employees receive as part of their employment relationship” (Baeten, 2004, p. 216).

Organizations used the reward system as an important tool in order to retain its employees and to attract applicants in future (Baeten, 2004). Similarly, if we take this in a practical sense it suggests that the reward system used by organizations must be capable to provide answer to the employee’s questions of ‘why join?’, ‘why stay?’ and ‘why bother?’” The CIPD Reward system involved all the things from pay, incentives to decision making activities, appreciation, praise and recognition etc. The rewards are categorized by different authors into extrinsic and intrinsic which made employee either extrinsically motivated or intrinsically motivated.

Ajila & Abiola (2004) conducted the research at bank of Nigeria identified that extrinsic rewards had greater influence on workers’ performance, they also recognized that employees’ showed poor performance and less commitment when they are not rewarded.

Motivation is one of the prerequisites of the performance. Different theories of motivation have been developed to examine the employee behavior towards job, such as equity theory presented by J. Stacey Adams as cited in Moorhead & Griffin (1989). According to this theory equity has defined as a belief of being treated fairly in comparison to others and inequity is unfair treatment in relation to others. The process of equity theory emphasizes on the self-evaluation of employee with respect to the input / outcome ratio which further leads to evaluation of other (other employees in an organization) after the evaluation person compares the input/outcome ratio of both the

self and comparison-other which results in the feelings of either equity or inequity.

If a person feels his comparison-other gets more outcomes because he is hard worker, then his higher ratio would be acceptable but if the ratio of comparison-other is disproportionate to the inputs it leads to the feeling of inequity. Equity motivates person to continue the same level of performance unless his input/outcome ratio never change. And to reduce inequity certain methods could be used which can have both positive and negative impacts. Such as an option “change inputs” may lead to the less efforts or low-quality work by the employee. “If a person feels being under rewarded, she may decrease her effort and vice versa” (Moorhead & Griffin, 1989, p. 136).

Another theory of motivation was presented by Victor Vroom known as expectancy theory. The process of theory started with the effort which results in performance which is the function of environment, ability and effort. Performance then resulted into different outcomes embracing certain valences in it. The theory asserts on linkages between above stated features; effort-to-performance expectancy described that a person must feel that his effort will lead to higher levels of performance and his performance will lead to certain outcomes such as pay or recognition, this shows performance-to-outcome expectancy. The outcomes may possess either positive or negative valences (value of the outcome). But for the motivated behavior the sum of all valences should be positive.

The theory has later been extended by Lyman W. Porter and Edward E. Lawler which is known as a Porter - Lawler model. It is different from its predecessor; the model has included role perception, traits and ability as well in it. “The model has suggested that high levels of performance may lead to the satisfaction not the other way around.” (Griffin, 1989, p. 141) In this model role perception, ability and traits, and effort together determined the performance that resulted into rewards which can be either intrinsic or extrinsic. A person then evaluates those rewards by using social comparison method and if they are equitable he feels satisfaction and this determined his future performance. Apart from the complexity of theories they have been implemented by many researchers and proven their practicality.

Moreover, Fredrick Herzberg in 1960s identified in his research that workers affected by two different sets of factors which determined dissatisfaction and satisfaction in two different dimensions. He identified hygiene factors (supervision, working conditions, interpersonal relationships, pay and security and company policies) which when used on workers the feeling of dissatisfaction leads to no dissatisfaction. Besides that, he has identified another set of factors which motivated or satisfied workers known as motivation factors which includes achievement, recognition, the work itself, responsibility and advancement and growth. That means not every single

worker can be motivated by same factors.

Rewards are not same for all the employees; it varies because of age, gender and culture. According to Ron Lloyd of Hewitt associates Canada “The new workforce will be the most diverse in history in terms of age, gender, ethnicity and lifestyle. There will be an unprecedented number of generations at work at the same time. And women, who have been entering the workforce at an increasing rate, will continue to do so” (p. 11).

In organizations there existed different age groups such as boomers; (born 1946-1964), Generation X (born 1965-1981) and Generation Y (born 1981-2001). According to a research by global human resource association Worldatwork (2010) identified that generational differences were not considered by 56 percent of the organizations while designing the reward programs. This implies that the importance and evaluation of needs of different generations and were not realized by the organization while providing them the rewards.

The managers need to understand the different work styles, expectation, performance goals and time need of employees to create a high impact multigenerational rewards strategy for the fourth generation that make up today’s workforce (Irvine, 2010, p. 64).

The implementation and execution of reward system are the vital role played by HR. They with line managers can communicate the reward strategies to the employees and reinforce or persuade them towards organizational goals. According to CIPD the importance of line managers in communicating and delivering the reward policies made by HR often ignored by many organizations. Employees can perform better when goals and their outcomes are clear to employees and they understood what is expected from them. HR can have many reward instruments which when implemented may generate the desired results in performance such as working environment, recognition, training and development, pay and benefits etc (McMullen & Stark, 2008).

By reviewing the literature following hypotheses were developed.

H1: There is a significant relationship between rewards and performance

H2: Motivation for different rewards varies employee to employee

RESEARCH METHODOLOGY

To conduct the research the primary data was collected through questionnaires

and interviews and secondary sources were being studied that involved academic journals, case studies, which further lead to content analysis of the literature.

The subjects of the research were employees of bank, 38 employees of a commercial bank of Karachi were selected by using the convenience sampling technique. Different departments were approached to which questionnaires were administered. Convenience sampling is a nonprobability method, this means that subjects are chosen in a nonrandom manner, and some members of the population have no chance of being included.

The research instrument used in the research was a questionnaire which was divided into two parts. Part one was expected to provide answers to the number of years employees had worked with the organization, their gender and other demographics. Part two of the questionnaire was to elicit information on reward system, their benefits to employees and how they perceived different rewards.

DATA ANALYSIS AND FINDINGS

Table 1: Age of the respondents

Age	Frequency	Percentage
20 or less	0	00.0
21 – 30	21	55.0
31 – 40	11	29.0
41 – 50	4	11.0
51 – above	2	05.0
Total	38	100

55 % of the respondents' age grouped in between 21-30 years which showed the majority of the sample, 29% in between 31-40, 11% 41-50 and 5% were grouped into age 51 or above respectively.

Table 2: Gender

Gender	Frequency	Percentage
Male	25	66.0

Female	13	34.0
Total	38	100

Male employees made the majority with 66% and 34% of employees were female

Table 3: Marital status of respondents

Marital Status	Frequency	Percentage
Single	18	47.0
Married	20	53.0
Total	38	100

As table above exhibits that 47% of the respondents were single, and 53% were married.

Table 4: Job experience

Job Experience	Frequency	Percentage
Less Than 1 Year	5	13.0
1 Year - 5 Years	7	18.0
6 Years - 10 Years	11	29.0
11 Years - 15 Years	8	21.0
16 Years - 20 Years	3	08.0
21 Years - Or above	4	11.0
Total	38	100

29% of the respondents had experience of 6-10 years, 21% got 11-15 years and 18% were 1-5 years experienced. 10% worked for 21years or above and 13% have experienced less than 1 year and 8% worked 16-20 years respectively.

The respondents asked to answer that how rewards motivate them and select one of the outcomes. The following table shows the results.

Table 4.5:

Reward outcomes	Frequency	Percentage
Improved Performance	23	61.0
Increased Loyalty	5	13.0
Both	8	21.0
Other	2	05.0
Total	38	100

As can be seen in table that 61% respondents believed that the rewards improved their performance and 13% get motivated towards loyalty, while 21% considered that rewards' motivation worked on both the variables. And 5 % believed that other variables worked on them when they get motivated by rewards.

Moreover, the respondents were asked to rate the different reward tools which can motivate their performance by using the scale; completely Disagree1 Disagree 2 Neutral 3 Agree 4 Completely Agree 5. The rewards used as variables were 1) pay and benefits, 2) promotion, 3) achievement; self expression; meaningful work, 4) employee recognition and 5) career development.

Table 4.6:

Reward Tools	Completely Agree	Agree	Neutral	Disagree	Completely Disagree	Percentage
Pay & Benefits	21%	66%	10%	3%	0	100%
Promotion	39%	21%	30%	10%	0	100%
Achievement; Self Expression; Meaningful Work	45%	32%	18%	5%	0	100%
Employee Recognition	30%	39%	21%	10%	0	100%
Career Development	30%	47%	18%	5%	0	100%

The table above shows the percentage of rate of agreement to disagreement of employees to the reward tools that can motivate them towards performance.

H1 There is a significant relationship between rewards and performance

Different researchers have identified that there existed a positive relationship between rewards and performance, similarly this research also concluded that rewards motivate employees towards performance as 61% of employees believed that performance improved by rewards (see table 4.5). Moreover, it was identified that most of the employees were agreed and completely agreed to the reward variables that cause motivation to perform. Pratheepkanth (2011) identified in his research at bank of Sri Lanka that employee motivation is directly proportional to the rewards when level of rewards increases the motivation also increases, he found the positive correlation between rewards and performance consistency achieved.

Similarly, Baron (1983) as cited in Imran, Khan & Farooq (2010) recognized in his work “that not only motivation can influence performance, but performance can also influence motivation, if followed by rewards” (p. 39).

Imran, Khan, & Farooq (2010) found work motivation with respect to the reward variables such as pay, promotion, benefits and recognition. They also identified a direct relationship between rewards and employee’s performance, “better the rewards, the higher the levels of motivation and greater levels of employee performance” (p. 49-50).

H2 Motivation for different rewards varies employee to employee

One of the objectives of this research emphasized that motivation for each reward is not same for each employee. Rewards perception varies employee to employee due to diversity in the workforce. It was found that overall employees were motivated by the rewards as the rating show only 33% of respondents had shown disagreement to the rewards while no respondent were completely disagreeing with rewards. Yet 45% of respondents were completely agreed that achievement; expression; meaningful work motivated them most towards performance (See table 4.6).

Through interviews and questionnaires, it was identified that the employees who had job experience more than 16 years and aged 41 or above were more motivated with recognition and career development. While those who had 1-5 year experience were less motivated towards those variables and believed that pay and promotion as good motivators.

Similarly, the research conducted by Imran, Khan, & Farooq (2010, p. 49) also identified “employees in the age group 45 and above reported the highest work motivation relative to the reward they received” in banks.

The respondents positively responded that everyone was considered to be rewarded but majority (18 % female & 35% male) were disagreed that right rewards

were being rewarded. Imran et al. (2010) found that females were less motivated by the rewards they received. Women found as committed as men but “companies that routinely don’t offer childcare and flexibility in work scheduling will suffer along with their deprived workers” (Cascio, 1995, p. 74S).

The employees aged 21-30 being energetic inclined towards challenging and meaningful work which was also recognized by World at work (2010). This generation has a deep-seated desire for work to be meaningful and connected to the bigger picture —something larger than merely the task at hand.

Moreover Maslow hierarchy of needs and Alderfer’s ERG also argued that unless the lower level of needs not satisfied a person cannot move towards the next level. A person who has psychological needs to be satisfied can be motivated towards performance by cash, bonus or salary increment. But if manager provided him a challenging job or social environment could not motivate him towards higher performance. Hence it is approved from the above findings that the motivation for rewards varies employee to employee.

DISCUSSION

From hypotheses 1 this study has identified that there existed a positive relationship between rewards and performance, several other studied done in the past approved them too. As said earlier that motivation is one of the prerequisites of performance, yet the rewards are the instruments that caused motivation to perform. They are the different rewards that encouraged employees towards higher performance as they fulfilled their needs. It can be concluded that employees are indirectly motivated to the job but directly to the outcomes of it.

From hypotheses 2 it was found that rewards have different impact on diverse workforce, it varies with respect to age, gender & experience. Moreover, it was identified that rewarding in accordance with the need of employees is more important, means right rewards to the right employee.

LIMITATIONS

The research was confined to certain parameters because of limited available data and unavailability of statistical procedures of data analysis. Furthermore, the results and findings could be more accurate and convincing if large sample was used. The motivation of employees measured self-reportedly and this may be more compelling if actual performance data was gathered. However, findings of the research objectives would help banks in improving the reward system and meeting the challenges of rewarding performance of a diverse workforce.

CONCLUSION & RECOMMENDATIONS

It was concluded that the role of HR in designing and executing the reward system become critical. Banks are not free from diversity, there exist so many ethnic groups, cultures in Karachi and women have also entered the market with greater percentage.

HR must take the diversity into account while designing the reward system it should be flexible so that each employee can get an advantage. Flexible working hours, childcare facility and environment to work comfortably would be helpful in motivating performance of women in the workforce. To motivate older workers the HR should identify the job areas where they can utilize their experience and skills more efficiently and considered themselves as updated as their juniors. Hence to get higher level of performance HR must understand the challenges of workforce diversity in rewarding job performances and devising reward system.

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