

# An Analysis of Literature on the Importance of Non-Financial Rewards for Employees' Job Satisfaction

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*Abstract— This paper reviews literature to emphasize the significance of non-financial rewards for employees' job satisfaction, which directly impacts organizational success. We have examined the importance of various rewards on employee satisfaction and performance. The findings reveal that, in addition to financial rewards such as salaries, fringe benefits, bonuses, and life insurance, employees also value non-financial rewards like job recognition, involvement in decision-making, and appreciation from the organization. Non-financial rewards play a crucial role in boosting employee morale and satisfaction. This research holds valuable implications for both academicians and employers interested in understanding how non-financial rewards can enhance employee satisfaction within organizations.*

*Index Terms- Job Satisfaction, Non-Financial Benefits, Education Institutions*

## I. INTRODUCTION

Gratified and motivated employees are invaluable assets for any organization, as emphasized in the field of human resource management where employee job satisfaction holds significant importance, as evidenced by numerous research studies (Locke, 1969; Shipley, 2015). The primary reason for the extensive research in this area is the belief that employee job satisfaction directly influences their performance and overall organizational productivity (Henderson, 2006). Organizations face considerable challenges in predicting individual behavior due to various factors affecting employee job satisfaction, such as income, happiness, work values, rewards, social concerns, working conditions, hours, and performance. Consequently, designing effective financial or non-financial reward packages for employees poses a significant challenge for organizations. While financial rewards are often viewed as the primary motivator, some employers recognize the importance of non-financial rewards in increasing employee satisfaction and motivation. Non-financial rewards,

such as job autonomy, participation in decision-making, recognition, job involvement, and significance, contribute to a highly satisfied workforce (Soon, 2013). Praise and recognition are acknowledged as effective tools for enhancing employee job performance (Rahim & Daud, 2013), while studies have shown that high salaries alone are insufficient to influence and satisfy employees (Thompson, 2014). Whitaker (2009) found that non-financial rewards, such as reduced working hours, subsidized meals or services, additional holidays, and team events, have longer-lasting motivating effects compared to financial rewards. Similarly, in the higher education sector, faculty job satisfaction is crucial for achieving institutional missions and goals, particularly as universities transition from traditional education roles to contributing to economic development through knowledge sharing and talent development. Emphasizes the need for university environments and reward systems that empower faculty members to produce a skilled workforce. This paper aims to review previous literature on the importance of non-financial rewards and their impact on employee job satisfaction, shedding light on why employees choose to leave organizations and how non-financial rewards contribute to their satisfaction.

## II. THE CONCEPT OF REWARD MANAGEMENT

Steel and MacDonnell (2012) recently discussed organizational success and its relation to behaviors, utilizing the traditional concept of "The carrot and the stick" to manage these behaviors. This concept involves offering or withdrawing rewards in a business context. However, organizations are increasingly facing challenges in effectively managing reward practices, as they may not always yield the expected results, leading to high turnover rates among employees. Researchers argue that without an effective reward policy, organizations struggle to gain

a competitive advantage (Kwenin, Muathe, & Nzulwa, 2013). In light of these implications, Steel and MacDonnell (2012) raised questions about the terms "reward," "reward management," and the factors contributing to the effectiveness of reward policies.

Reward management is a concept that signals appreciation to employees within an organization (Shoaib, Noor, Tirmizi, & Bashir, 2009). Armstrong and Taylor (2014b) define reward management as encompassing strategies, policies, and processes aimed at recognizing the value of people and their contributions to achieving organizational goals at various levels. Armstrong highlights that reward management includes both developmental and implementation aspects of reward systems to achieve organizational objectives. Similarly, Bratton and Gold (2001) stress the importance of reward management in regulating the employment relationship and consider it a central component of human resource management. Armstrong and Stephens (2005) emphasize that the ultimate goal of reward management is to enable organizations to achieve their strategic objectives. Reward practices help organizations address two key questions: where they want their reward practices to be in the future and how they plan to achieve that vision. Armstrong and Brown (2001) suggest that reward management involves both defining objectives and determining the means to achieve them. A comprehensive reward strategy outlines the purpose, components, and alignment of reward programs with organizational goals (Kaplan, 2007). Armstrong and Murlis (2007) describe reward strategy as a business-focused statement outlining the organization's intentions regarding future reward processes and practices aligned with its business and human resource strategies, culture, and operating environment. Wilson (2003) views reward strategy as a process through which organizations translate their competitive business strategy into a series of programs and initiatives that positively influence human behavior. Despite its benefits, reward strategy remains a complex concept.

### III. NON-FINANCIAL REWARDS

Daniel (2009) and Morrell (2011) expressed concerns regarding financial rewards, highlighting potential negative effects such as decreased intrinsic motivation, short-term thinking, and increased fraud.

Morrell (2011) emphasized the importance of both financial and non-financial rewards, noting that different jobs may require different types of rewards. Consequently, the significance of non-financial rewards, also known as relational, intangible, or non-monetary rewards, is growing over time, as indicated by early findings from Drucker (1954) and supported by Ryan and Deci (2000). Jensen, McMullen, and Stark (2007) underscored the crucial role of non-financial rewards in distinguishing organizations as top employers and increasing employee engagement. Similarly, Brewster and Mayrhofer (2012) emphasized the importance of non-financial rewards in enhancing employee job satisfaction, commitment, and performance. Scott, Yeld, and Hendry (2007) referred to non-financial rewards as a means to enhance the value of reward programs and indicated their importance in employees' decision-making regarding where to work and their level of commitment. Fagbenle, Adeyemi, and Adesanya (2004) found that the application of non-financial incentive schemes increased the productivity of bricklayers, highlighting the effectiveness of such rewards in enhancing performance. Despite their significance, implementing non-financial rewards can be challenging (Armstrong, 2010), particularly in measuring their cost-effectiveness (Deloitte Consulting, 2008). Regarding career development, Gandossy and Kao (2004) identified it as a factor in employee retention, a sentiment echoed by Day, Sammons, Stobart, and Kington (2007). Employees value opportunities for growth and development, as evidenced by surveys conducted by Scott et al. (2007). Mercer and Reilly (2006) highlighted the importance of career development plans in retaining employees and attracting them to organizations. Similarly, offering learning and training opportunities contributes to employee job satisfaction and commitment (Yeo & Li, 2011). Flexible working hours and work-life balance initiatives, as adopted by companies like Google, are increasingly valued by employees (Blades & Fondas, 2010). These initiatives not only improve engagement, retention, and recruitment but also contribute to performance and job satisfaction (Giancola, 2009; Heneman III & Milanowski, 2007). Overall, non-financial rewards play a significant role in enhancing employee satisfaction, retention, and organizational success.

#### IV. JOB SATISFACTION

Hopkins (1983) defined job satisfaction as the amalgamation of psychological, physiological, and environmental factors influencing an individual's expression of contentment with their work. Conversely, Odom, Boxx, and Dunn (1990) characterized job satisfaction as an employee's overall affective perception of their job and their positive or negative feelings toward it. Similarly, Armstrong and Taylor (2014a) described job satisfaction as an employee's emotional state and attitude toward their job. Job satisfaction can typically be categorized into two types: extrinsic and intrinsic. Extrinsic job satisfaction pertains to tangible aspects of the job, such as pay, coworkers, benefits, and supervision, while intrinsic job satisfaction is associated with internal factors like job complexity, responsibility, skill utilization, task enjoyment, and challenges (Clark, Oswald, & Warr, 1996; Currie & Hill, 2012; Luna-Arocas & Morley, 2015). Robbins (2013) identified six significant work-related factors contributing to job satisfaction, including equitable rewards, mentally stimulating work, work-life balance, supportive work environment, and colleagues. Personal factors generally exhibit a weak correlation with job satisfaction (Karin Andreassi et al., 2014); whereas job-related factors, such as task identity, task importance, and independence, show positive associations with employee job satisfaction (Spector, 1997). However, low job satisfaction not only adversely affects job performance and achievement but also leads to increased absenteeism, reduced productivity, and employee turnover (Bryant & Allen, 2013). Numerous studies have examined the relationship between job satisfaction and turnover, consistently finding a negative correlation, indicating that higher job satisfaction levels are associated with lower turnover rates and vice. Shanker (2014) also supports these findings, suggesting that dissatisfaction is a primary driver of turnover and can ultimately impact productivity.

#### V. RELATIONSHIP BETWEEN NON-FINANCIAL REWARDS AND JOB SATISFACTION

Researchers such as Ali & Ahmed (2009) and Flynn (1998) have confirmed the relationship between

rewards and employees' job satisfaction, yet discrepancies exist regarding the types and nature of rewards that directly impact employee satisfaction and motivation. Locke, Feren, McCaleb, Shaw, and Denny (1980) emphasized the significance of financial rewards, asserting that no other motivational technique rivals money's instrumental value. Financial benefits, often viewed as essential elements of job satisfaction, have been highlighted by Borjas (1979) and Shields et al. (2009) as crucial for attracting and retaining talent. However, contradictory findings suggest a negative association between compensation and job satisfaction, as demonstrated by Grace & Khalsa (2003) and Ovadge (2010). Batt, Colvin, and Keefe (2002) even found a significant negative relationship between pay and turnover. While some studies have found positive associations between pay and satisfaction (Judge et al., 2010; Sanchez & Brock, 1996), others have reported weak but positive links (Judge et al., 2010; Malka & Chatman, 2002).

Non-financial rewards, on the other hand, have been shown to lead to higher satisfaction and motivation among employees compared to financial rewards (Nel et al., 2004). Stovall (2003) concluded that an effective non-financial reward package significantly impacts employee performance and satisfaction. Tausif (2012) found organizational non-financial rewards to play a significant role in teachers' job satisfaction, while Tippet and Kluvers (2009) regarded them as helpful tools for enhancing satisfaction. Barton (2006) highlighted employee recognition as a crucial factor in non-financial rewards, with Bull (2005) adding that challenging jobs also contribute to satisfaction.

Despite the importance of monetary rewards, Budhwar & Bhatnagar (2007) argued for the significance of other types of rewards often overlooked in discussions of job satisfaction. Ngatia (2015) and Hayati and Caniogo (2012) found positive correlations between non-financial rewards and satisfaction, with Tausif (2012) identifying them as dominant predictors of satisfaction among teachers. When employers prioritize non-financial rewards such as work-life balance, career advancement, and educational benefits, employees perceive the organization as supportive and beneficial (Abdullah & Wan, 2013). Öztürk and Dündar (2003) found that employees in public sector organizations value non-financial

rewards more than financial ones, while AĞIRBAŞ, Çelik, & BÜYÜKKAYIKÇI (2005) and Erbasi & Arat (2012) emphasized the importance of job security, promotional opportunities, and organizational culture in enhancing satisfaction. Despite the potential benefits, organizations often overlook non-monetary rewards, potentially leading to turnover among talented employees seeking growth opportunities (Herman, 2005). Effective training and development opportunities have been shown to enhance employee retention (Arnold, 2005), emphasizing the importance of considering non-financial rewards in organizational reward systems.

### CONCLUSION

This comprehensive literature review emphasizes the significance of non-financial rewards for enhancing employee job satisfaction, thereby directly influencing organizational success. Through an analysis of various rewards, it becomes evident that alongside financial incentives like salary and bonuses, employees also value non-financial rewards such as job recognition, decision-making involvement, and organizational appreciation. These non-financial rewards play a pivotal role in bolstering employee morale and satisfaction levels. As highlighted by Robbins (2013), meeting employees' needs for job security, work-life balance, participation in decision-making, a conducive work environment, and positive interpersonal relationships contributes to higher job satisfaction. Tippet and Kluvers (2009) similarly underscore the importance of non-financial rewards in fostering employee satisfaction. This research offers valuable insights for both researchers and employers interested in understanding how non-financial rewards can impact employee satisfaction within organizations.

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