

Is Preference for Monetary/Nonmonetary Rewards Related with the Level of Income?

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Abstract

Employees' motivation is a very important issue that every organization should consider, as it increases the chances to attract and retain valuable individuals and achieve performance. Although aware of the advantages, managers sometimes do not put great effort into it. Sometimes, it is just difficult to address it properly because of the diversity within the organizations. Researchers have been discussing a lot about how to motivate, about monetary and nonmonetary rewards, etc., and how the method should consider factors related to the individual to be motivated among other things. This paper show the results of a study conducted with employees of the private banking sector in Albania, and shows that employees of this sector are more motivated by monetary than non-monetary rewards. There is no enough evidence to support the relation of monthly level of income and motivation from either monetary or non-monetary rewards.

Keywords: motivation, rewards, monetary, nonmonetary, income, banking, Albania

Introduction

Almost every employee's motivation discussion is related to rewards. The purpose of the total reward, as a tool to increase motivation, is to provide a challenge work environment in which people have the possibility to use their abilities and skills to do meaningful job, and to be recognized (Pfeffer, 1998). Two big known forms of rewards are the monetary and the non-monetary. While monetary rewards can be more familiar for employees and employers, one of the most discussed issues is what is included in the nonmonetary rewards. Nonmonetary rewards are related with satisfaction of psychological needs, while others are for security, ego, flexible hours, training and education, and pleasant work environment (Ballentine et al., 2003). Monetary rewards

plays a crucial role in meeting a lot of needs that people have in their lives e.g., food, clothes, housing, participating in social activities, and even in entertainment. People with unmet physiologic needs, according to Maslow, tend to focus mostly on monetary rewards as a way of meeting them. In case the level of income fulfills those needs that can be met by monetary rewards, people tend to focus mostly on nonmonetary rewards. Anyway, there is no universally limit of monetary rewards which can be considered as satisfactory. This is because needs can vary in different people according to many factors related to employee, job environment, and economic conditions of the country. Economic development of a country can indicate the importance that people of that country put on money (Anyim et al., 2012). According to the authors, cash can be a very important incentive for employees with low level of income, but it has not the same importance for those with higher level of income, as they have already met their basic needs. Renard in 2015, in a study with 587 employees in non-profit sectors in South Africa, USA and Belgium, came to the conclusion that employees with higher level of income have higher level of intrinsic motivation. He explained that one of the reasons why this happens is because of the fact that they have met their physiologic needs, as they do earn more extrinsic rewards. Moreover, when people are well paid, their motivation to perform better will increase. Qureshi et al. (2010) revealed a direct relation between performance and organization reward system, and they emphasized that it is very important to design a reward system that is focused on extrinsic rewards for employees with lower level of income, and focused on intrinsic rewards for employees with higher level of income. Meanwhile, Snelgar et al. (2017) emphasized the reason why every organization should consider both types of rewards when designing rewards packet. In their study in Germany and South Africa, lower level income employees showed higher level of intrinsic and extrinsic motivation.

In a study where published researches of 40 years were reviewed, Wiley (2010) found out how employees preference for rewards has changed over the years. Although there was a greater interest for nonmonetary rewards, employees have chosen “good wages” as one of the five (5) most important rewards when they were asked to rank 10 rewards according to their preference. According to this study, “good wages” was ranked the most preferred reward, and then in descending order was: recognition for the work done, job security, promotion, interesting job. According to Wiley, “good wages” was preferred regardless of gender, age, occupation, civil status, and level of income.

The aim of this paper is to have a look on Albania, and to ascertain if the level of income indicates in the motivation of employees by monetary or nonmonetary rewards. This study was conducted on the Albanian private banking sector. This is because it is one of the sectors that is not only well

structured and consolidated, but also offers both types of rewards, monetary and nonmonetary.

Private banking sector in Albania is considered to be an attractive sector in terms of employment, especially when compared with other sectors in the country. Some of the reasons are related to the security of employment and a variety of structured rewards that one can have while working here. Among several reasons, it has been offering better opportunity in regards to promotions (Kasimati & Mitllari, 2009) and payments. In a study conducted in 2009, the conclusion that the banking sector offers better opportunity for promotions was supported by cross comparing data gathered from semi structured interviews with line managers and human resources people of some public and banking sector, with data gathered from employees. Through a structured questionnaire, it came out that there were more employees of banking sector than of public sector to declare that they have had a promotion during their career in the respective sector. In addition, they perceived also better promotion possibilities. “Financial compensation is for sure an instrument to motivate employees, but you don’t have to skip the fact that employees give an important value also to other forms of rewards and merits recognition to reinforce their feelings of self-esteem and self-realization. Anyway, employees are more motivated when the employer supports them and offers a clear vision and a perspective of their professional development in the future” Zigori (Bankieri, 2017). Despite a fixed base payment, employees in private banking sector are eligible also to other types of rewards related to performance indicators, which generally cannot be found in other sectors that operate in Albania. From a short survey in the official banks’ websites, one can find that the most typical rewards offered in banking sector are trainings, promotion possibility, preferential rates of loans and deposits, health insurance, and scholarships.

Referring to INSTAT, the Banking and Finance sector is the third largest sector employer in Albania. The number of employees in the private banking sector was 6,816 at the end of September 2018 (AAB, 2018). Employees of financial and insurance companies, in which banking sector is included, are better paid when compared to other sectors. According to INSTAT, average monthly gross salary for financial and insurance companies was 103,641 ALL, while the average for all sectors was only 48,967 ALL in the year 2017. Being positioned in the high end of salaries segment, the banking sector is a good place to study for the hypothesis that probably here according to literature review, employees might be motivated mostly by nonmonetary rewards.

Methodology

A literature review was conducted first on the most known and applicable forms of monetary and nonmonetary rewards, and second, in finding evidence of previous research about eventual relation between the level of income of the employee and his/her preference for monetary and nonmonetary rewards. Based on published studies, a questionnaire was structured by the authors. This was done in order to evaluate if the level of income indicate a distinguished preference for either monetary or nonmonetary rewards within the organization. The Albanian private banking sector employees were in focus. The questionnaire was delivered online and in printed copies, and a total of 280 filled questionnaires were collected between August- November 2018 through on-line and printed handout channels. The sample represents 4.1% of the total population of private banking employees. SPSS 20.00 was used to process the results gathered.

Analyses and Findings

Consequently, the questionnaire was structured into two parts. In the first part, employees were asked to give information about their gross monthly income level, by choosing one of the four (4) income ranges that were listed in the questionnaire. As mentioned in the introduction, there cannot be a universal level of income accepted. For the purpose of this study, the intervals were decided by the authors, considering the Albanian payment system and the general level of income. The ranges, all in ALL (Albanian Lek-the country's currency, with an exchange rate 108ALL=1USD in December 2018), were decided to be:

- Up to 50,000 ALL/month
- 50,001-100,000 ALL/month
- 100,001-150,000 ALL/month
- Above 150,000 ALL/month

The payment is usually negotiated and contracted on a monthly basis in Albania.

Participation of employees who fulfilled the questionnaire was 23.2% in the range of income up to 50,000 ALL/month, 48.9% was in the level of 50,001-100,000 ALL/month, 18.6% was in the range 100,001-150,000 ALL/month, and 8.9% was in the range of above 150,000 ALL/month. This spread resembles the structure of employees according to payment in the banking sector.

After then, employees were asked to evaluate the importance that some forms of monetary rewards and nonmonetary rewards have in increasing their effort for better performance, if the company will improve or add those forms to its reward system. Employees were asked to evaluate each of them in a scale

from 1 to 5, meaning 1-not important, 2-slightly important, 3-moderate important, 4-important, 5-very important.

The group of monetary rewards included:

1. Rewards related to salary increase and bonuses (salary increase, bonus for targets, New Year’s bonus, holidays bonus, annual performance bonus).
2. Long term or more occasional rewards (shareholder participation, contribution in voluntary pensions, financial support in case of illness, financial support in case of death).

The group of nonmonetary rewards included:

1. Nonmonetary financial rewards (preferential rates for loans/deposits, scholarships, new year gifts, gifts for children, different accessories, subscriptions in sports/journal, tickets, purchase coupons, facilities: cars, mobile phone).
2. Professional development and promotion rewards (trainings, learning and professional development, challenge job, project participations, rotations, promotion possibilities).
3. Recognitions (verbal recognition/praise, formal/informal written recognition/praise, awards as employee of the month/year, lunch invitation from the manager).
4. Work environment and relations in the company (flexible working hours, work-life balance, additional paid leave, confidence in the continuity of the employment relationship, collaboration and positive communication).

Therefore, the results from the questionnaire show that although there were no important differences, participants were generally more motivated by salary and bonuses (Mean 4.13) than by long term or more occasional monetary rewards (Mean 2.79). Table 1 shows the Mean and standard deviation for employee preferences for monetary rewards. When comparing Mean for Salary and bonuses with Mean for Long term/occasional monetary rewards for different income intervals, it seems that at all level of income, employees are more motivated by salary and bonuses than by long term/occasional monetary rewards. The differences in means are equal for all levels of income; the highest with 1.26 is in the level of up to 50,000 ALL/month and the lowest with 0.94 is in the level of above 150,000 ALL/month. A possible explanation shows that employees of the level of income above 150,000 ALL/month have met some of the current needs, and their focus is more about the future. As we move up the income intervals, the Mean for Salary and bonuses decrease up to the interval of 100,001-150,000 ALL/month, and jumps with a slight 0.06 for the interval of Above 150,000 ALL/month. Nevertheless, it is the same trend for the Long term/occasional

monetary rewards preference (the Mean, which is lower in general; it decreases for incomes up to the interval of 100,001-150,000 ALL/month, and increases again in the interval above 150,000 ALL/month).

Table1. Mean of preferences for monetary rewards

Monthly gross income ranges (in ALL)	Salary and bonuses		Long term/rare monetary rewards	
	Mean	St. Deviation	Mean	St. Deviation
Up to 50,000	4.37	0.65	3.11	0.60
50,001 – 100,000	4.16	0.86	2.99	0.74
100,001 – 150,000	3.82	0.96	2.70	0.80
Above 150,000	3.96	0.94	3.02	0.84
Total	4.13	0.86	2.97	0.74

In the nonmonetary rewards, people seem to be more motivated by Work environment/relations in the company, as shown in Table 2 below. Then, in a descending order of importance were: recognition, development and promotion possibilities, and non-monetary financial rewards. The same trend resulted for each income interval.

Table 2. Mean of preferences for nonmonetary rewards

Monthly gross income ranges	Nonmonetary financial rewards		Recognition		Development/ Promotion		Work environment/ relations	
	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.
Up to 50,000	3.46	0.97	4.16	0.76	3.63	0.98	4.33	0.73
50,001 – 100,000	3.28	1.03	4.15	0.86	3.63	0.92	4.21	0.93
100,001 – 150,000	2.86	0.88	3.80	0.79	3.29	0.92	3.97	0.78
Above 150,000	3.43	1.06	4.20	0.60	3.79	0.92	4.36	0.70
TOTAL	3.26	1.01	4.09	0.81	3.58	0.94	4.21	0.84

A comparison between preferences for monetary rewards versus nonmonetary rewards at different intervals of income was performed. The results in the Table 3 show that all the surveyed employees of all income intervals are more motivated by monetary rewards, but the differences in Mean are not too high. The difference between Mean of monetary rewards and nonmonetary rewards is lower in the highest interval of income.

Table 3. Mean for preference by monetary rewards and non-monetary rewards

Monthly gross income ranges	Monetary rewards		Nonmonetary rewards	
	Mean	St. Deviation	Mean	St. Deviation
Up to 50,000	4.12	0.62	3.77	0.78
50,001 - 100,000	4.02	0.85	3.67	0.81
100,001 – 150,000	3.70	0.86	3.31	0.69
Above 150,000	3.97	0.86	3.80	0.74
TOTAL	3.98	0.81	3.64	0.79

Chi-square independence test was used to evaluate if there is any kind of relation between the personal income level and motivation from monetary or nonmonetary rewards. The results of the χ^2 test are shown in the Table 4.

Table 4. Chi-Square Tests-Range of monthly gross salary

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.242 ^a	3	.743
Likelihood Ratio	1.240	3	.743
Linear-by-Linear Association	.011	1	.917
No of Valid Cases	280		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 5.80.

As it can be seen, test value for Pearson Chi-Square is 1.242. For this sample, the p-value of the χ^2 test is $p = 0.743$. Since this value is higher than the significant level ($\alpha = 0,05$) usually applied in these kind of studies, we can say that there is no enough evidence to conclude in favor of the existence of a relationship between the personal income level and motivation from monetary or non-monetary rewards.

The results show that although employees of banking sector can be better paid than employees of other sectors in Albania, they are still motivated more by monetary rewards than nonmonetary rewards. One of the most important reasons can be related to the country itself and its economic conditions. The average age of Albanian employees is considered to be relatively new, which means they have to make a living and plan to create families. However, in order to achieve these goals, they need money to afford the cost of living. Urbanization of small countries can be expensive for lower income employee in terms of housing (Onu & Onu, 2012). Considering the cost of buying a house in Albania and other cost of living, this seems to be true also for higher income employees.

Conclusions and Recommendations

Motivation from monetary or nonmonetary rewards has been discussed long time ago and is still an important issue even in our days. While arguing about which form of rewards can better motivate employees, different authors have considered various factors that can indicate motivation from monetary or nonmonetary rewards. Hence, one of them is the personal level of income. The results of this study conducted with employees of private banking sector show that employees of this sector are more motivated by monetary than nonmonetary rewards. Nevertheless, there is no enough evidence to conclude on a significant difference between the monthly level of income and motivation from monetary or nonmonetary rewards. The result of this study supports the finding of Wiley (2010), but they are in contradiction with the conclusion of other researches. Anyim et al. (2012) opined that cash can be a

very important incentive for lower level income employees, but do not have the same importance for higher level income employees. Although the banking sector can be one of the best paid in terms of employment, general economic conditions in Albania are still in that level that even those who are better paid are motivated by money, and they need immediate rewards. At all levels of income, employees were motivated more by salary and bonuses than by long term or more occasional rewards. Between nonmonetary rewards, they were more motivated by work environment and relations in the organization. Then in a descending order were: recognition, development and promotion, and nonmonetary financial rewards. The results of this study need some replicas with focused groups of people within the sector, for us to draw more solid conclusions. For now, what can be recommended is only that employers in the sector should consider various forms of money rewards to attract and retain valuable employees.

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