

The Impact of Compensation and Reward System on the Performance of Employees

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Abstract

This study is meant to ascertain the relationship between compensation and employees' performance. The study aims to find out how satisfactory compensation enhances employee performance. The impact of reward administration on worker performance can be appropriate to those who develop their inspiration from it. Consequently, to say that reward influence workforces to perform may be fictitious and overstatement. Human requirements are dynamic in nature. For the sustainability, a compensation strategy should also illuminate the connexion between remunerations, salaries and reimbursements to the crucial success dynamics of the businesses. Against such a complex background of varied effects of compensation on employee performance several arguments can be put forward: A remuneration policy should entail other components of variable pay that is pay, which is linked to the performance of employees. Thus, employees must be made to believe that greater efforts result in greater rewards.

Keywords: Rewards System, Compensation, Human Resource Management, Employee's Performance, Workplace Culture, Workers' Involvement

Introduction

Reward and compensation management, which comes under human resource management is concerned with the implementation and formulation of policies and strategies that aspire to reward employees equitably, fairly and regularly in accordance with their performance and value of the company. Worker's involvement in the business is a fore most power for the organizational success. The application of compensation and reward system provides continuous inspiration which encourages the worker to do the job effortlessly and to mark their objectives. The influential culture of a workplace is very helpful to enhance the performance of the worker which can lead to the objective achievement and improve the overall efficiency of an organization. This study is meant to ascertain the relationship between compensation and employees' performance. The study aims to find out how satisfactory compensation enhances employee performance.

Review of Literature

Behaviourist B.F. Skinner, (1953) determined the reinforcement hypothesis, one in each of the most seasoned theories of motivation, as how to explain labourer behaviour and why we have a propensity to do what we have a tendency to do. The theory is moreover alluded to as behaviourism, or conditioning. The theory states that "an individual's behaviour could be an introduce of its results" (Administration Consider Direct, 2013)

Reinforcement theory outlines that a reaction taken after by a gift is extra possible to be futuristic and repeat itself (Thorndike's Law of Impact). The suggestion for remuneration administration states that the top labourer execution followed by money related remunerate can make future high execution extra probably. By an equivalent token, high enactment not taken after by a gift can make it less likely inside the future. The theory emphasizes the significance of an individual really encountering the remunerate.

Millea (2012) reports observational prove around the bi-directional connection amid employee's benefits and productivity, in specific putting in the nature of the benefits setting prepare in various nations. The experimental proof of this paper as well as that of a more detailed study for Germany (Millea, 2006) may be understood in the light of value reimbursement, i.e., clarifying competence as resulting from specific stipend levels, for given features of the work advertise for example the add up to level of redundancy.

Karanja (2005), carried out research on the impact of training on personnel enactment and initiated out that preparing is contributing on individuals to empower them perform way better and enable them to make the leading utilize of their natural talents. He proceeded expressing that 12the influence of organizing on personnel is critical in administration which when appropriately executed could lead to worker efficiency.

Kamau (2006), on the impacts of degree of training on employee Productivity wrote that superiority of employees plus their advancement through training and education is one major components in deciding lengthy term productivity of establishments. For an organization to recruit and keep great workforces, it is good approach to contribute in the improvement of their abilities so that they can increase their abilities so that they can increase productivity. Training should cover both new and existing workers to offer assistance alter to quickly changing work necessities.

Mkawale (2008), carried out research on the impacts of worker training on group enactment in an organization established the preparing is exceptionally much important, it closes up being checked as a resource or maybe than an obligation in

spite of downsides it may have. Training improves organization profitability, reduces its costs, increases commitment and inspiration of workers subsequently realizing their possibilities.

Research Methodology

This includes research design, target population and the sampling procedure. It also dealt with data collection instruments and procedure, validity and reliability of the instruments, data presentation and data analysis techniques.

The target population of the employees in this research will be 150 employees. They will include the Management staff, Support staff and the Subordinate staff. The sample size of the research is 33 employees.

This study adopted the use of questionnaires as the sole data collection instruments. This is because this instrument can be administered faster than an interview. Consequently, the questionnaires composed of both open and closed ended questions. The closed- ended questions will provide a set of alternative answers for the respondents to pick the one which best fits their judgment. The open- ended questions on the other hand will be accompanied by empty slots that will allow the respondents to fill in their opinions in their own words. The questionnaires therefore will aid in the collection of both qualitative and quantitative data. The researcher also will use self-administration to administer the instruments.

Statement of Problem

This study is to conduct to find out the impact of compensation and reward system on the performance of an organisation. It will help us to find the available reward package and how it affects employees and organizational performance.

Objectives

1. Draw the attention of management to prompt, timely and adequate compensation of employees.
2. Analyse the available reward package and how it affects employees and organizational performance.
3. Encourage a good reward and compensation policy which should be channelled toward increasing organizational productivity.

Limitations of the study

- Limited data: the data collected in this survey was very few because many people didn't want to respond thinking their data might get leaked.
- Time constrains: as there a limited time the research could not be conducted on a higher level with large data.

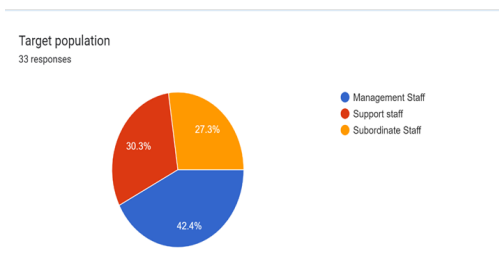
Research and Findings

This part focuses on decoding the data collected according to the variables under study. The presentation of data is done in respect to the following sections; demographic information, direct financial compensation, indirect financial compensation, non-financial compensation and total rewards.

Target Population

The target population from the study indicates that there were 14 management staff, 10 support staff and 9 subordinate staff from the 33 total participants.

Target Population	Frequency	%
Management staff	14	42.4
Support staff	10	30.3
Subordinate staff	9	27.3
Total	33	100

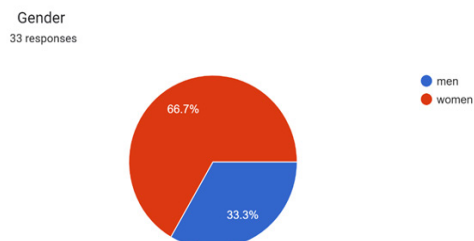


From the data recorded it was noted that 42.4% were management staff, 30.3 % were support staff and 27.3 % were subordinate staff. which indicates that the maximum number of respondents were from the management staff.

Gender

The target population from the study indicates that there were men and women from the 33 total participants.

Gender	Frequency	Percentage
Men	11	33.3
Women	22	66.7
Total	33	100

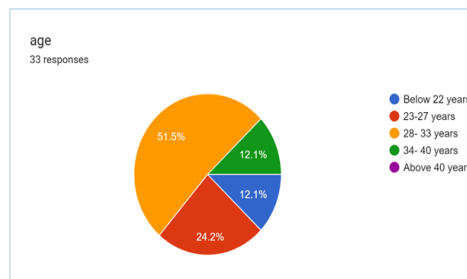


From the data recorded it was noted that 66.7% are women and 33.3% are men. which indicates that the maximum number of respondents were women.

Age

The targeted population age from the study indicates that there are 4 people below 22, 8 people from 23 -27, 17 people from 28-33, 4 people from 34 -40 and 0 people above 40 from the 33 total participants.

Age	Frequency	%
Below 22	4	12.1
23-27	8	24.2
28-33	17	51.5
34-40	4	12.1
Above 40	0	0
Total	33	100



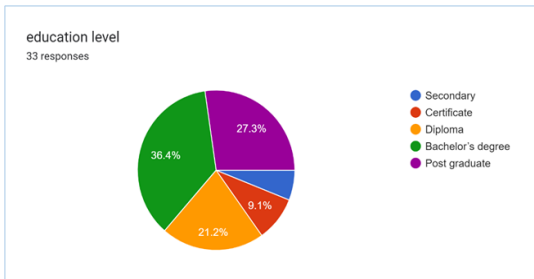
From the data recorded it was noted that 12.1% people were from the age group below 22, 24.2% from 23 -27, 51.5% from 28- 33, 12.1% from 34-

40 and 0 % from above 40. which indicates that maximum working people are from the age group 28- 33.

Education Level

The targeted population from the study indicates that the education level as 2 secondaries, 3 certificate, 7 diploma, 12 bachelor’s degree and 9 post graduates. which indicates that maximum people are from bachelor’s degree.

Education Level	Frequency	%
Secondary	2	6.1
Certificate	3	9.1
Diploma	7	21.1
Bachelor’s degree	12	36.4
Post graduate	9	27.3
Total	33	100

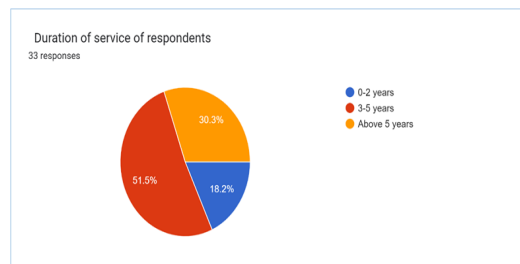


From the data recorded it is noted that the education level as 6.1%secondary,9.1% certificate, 21.1% diploma, 36.4% bachelor’s degree and 27.3% post graduates. Which indicates the maximum working people are bachelor’s degree.

Duration of Service

The targeted population data regarding the duration of service .0-2 years 6, 3 -5 years 17 and above 5 years 10. which indicates maximum people have experience of 3 -5 years.

Duration of Service	Frequency	%
0-2 years	6	18.2
3-5 years	17	51.5
Above 5 years	10	30.3
Total	33	100

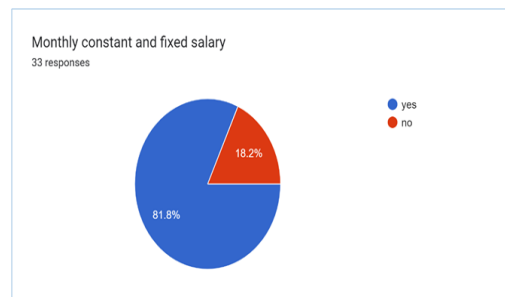


From the data recorded it is noted that the duration of service .0-2 years 18.2 %, 3 -5 years 51.5 % and above 5 years 30.3%. which indicates the maximum duration of service are from 3 – 5 years.

Monthly Constant and Fixed Salary

The targeted population show how many people and monthly constant and fixed salary. out of which 27 have constant and 6 have non constant.

Monthly constant and fixed salary	Frequency	%
Yes	27	81.8
No	6	18.2
Total	33	100

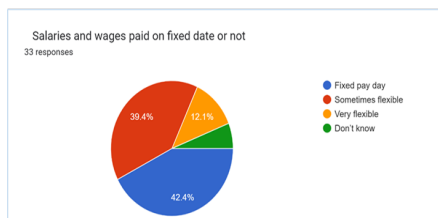


From the recorded data it is noted that 81.8 % have constant and 18.2% have non constant. which indicates that maximum people have constant salary.

Salaries and Wages Paid on Fixed Date or Not

The targeted population showing that salary paid on fixed date or not out of which 14 have fixed pay day, 13 sometimes flexible, 4 very flexible, and 2 don’t know.

Salary and wages on Fixed date or not	Frequency	%
Fixed pay day	14	42.2
Sometimes flexible	13	39.4
Very flexible	4	12.1
Don't know	2	6.1
Total	33	100

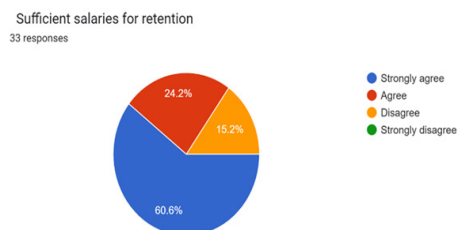


From the recorded data it is noted that 42.4 % have fixed pay day, 39.4 % sometimes flexible, 12.1 % very flexible, and 6.1 % don't know.

Sufficient Salary for Retention

The targeted population salaries for retention are sufficient or not therefore 20 strongly agree, 8 agree, 5 disagree and 0 strongly disagree.

Sufficient Salary for Retention	Frequency	%
Strongly agree	20	60.6
Agree	8	24.2
Disagree	5	15.2
Strongly disagree	0	0
Total	33	100

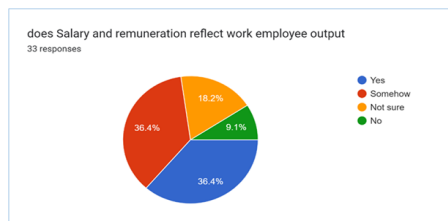


From the recorded data it was noted that 60.6 % strongly agree that their salaries are sufficient for retention. 24.2 % agree to fact, 15.2% disagree the fact and 0% people strongly disagree.

Does Salary and Remuneration Reflect Work Employee Output

The targeted population salary and remuneration reflect work employee output shows the following

Remuneration reflects in output	Frequency	%
Yes	12	36.4
Somehow	12	36.4
Not sure	6	18.2
No	3	9.1
Total	33	100

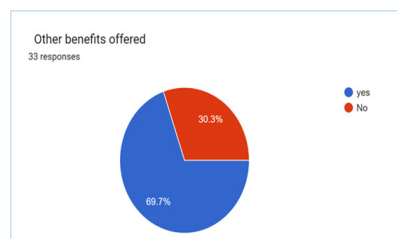


From the recorded data it is noted that 36.4% people say yes that remuneration reflect on the employees' output, 36.4 % say somehow, 18.2% not sure and 9.1 % say no. which shows maximum people feel remuneration reflect on employee's output.

Other Benefits Offered

The targeted population have other benefits or not out of which 23 many have and 10 many don't. out of 33 total population.

Other benefits offered	Frequency	Population
Yes	23	69.7
No	10	30.3
Total	33	100



From the recorded data it is noted that 69.7% people get other benefits offered and 30.3% don't

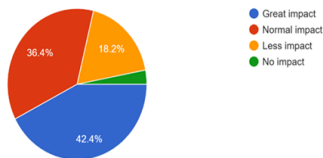
get other benefits. which means maximum people get other benefits.

Indirect Financial Compensation Impact on Employee Productivity

The targeted population shows if indirect financial compensation impact on employee productivity:

Impact on employee productivity	Frequency	%
Great impact	14	42.4
Normal impact	12	36.4
Less impact	6	18.2
No impact	1	3
Total	33	100

Indirect Financial compensation impact on employee productivity
33 responses



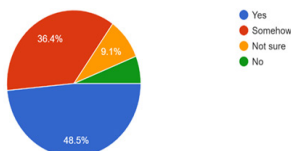
From the recorded data it is noted that 42.4 % people have great impact, 36.4% normal impact, 18.2% less impact and 3% no impact. which shows that indirect financial compensation impact on employee productivity has a great impact.

Does Employee recognition Lead to Employee Productivity

The targeted population shows if employee recognition led to employee productivity

Recognition led to employee productivity	Frequency	%
Yes	16	48.5
Somehow	12	36.4
Not sure	3	9.1
No	2	6.1
Total	33	100

does Employee recognition to employee productivity
33 responses



From the recorded data it is noted that 48.5 % people fell that employee recognition led to employee productivity, 36.4% people somehow, 9.1% people not sure and 6.1% say no. which shows that maximum people think employee recognition lead to employee productivity.

Conclusion

There exist fixed and constant monthly salaries with flexible dates though some months are fixed during payment. It is not very substantive to conclude that the salary being offered is not sufficient to motivate and retain employees since a considerable number termed the salary as sufficient. There is also no conclusive position on the salaries and remuneration reflecting the skills, competence and work output offered by employees.

Indirect financial compensation like health insurance and paid leave impact on the productivity of employees. The personal needs of employees like child care services and domestic partners benefits are not taken care of by the company. Many times, the company administers the benefits fairly though sometimes it does it unfairly.

Non-financial compensation like flexible work schedule and job sharing are necessary. Also working environment like seating, lighting, noise, recognition and promotion are relevant in determining employee productivity. Employee recognition through giving of shopping vouchers, praise dinners and trophies to employees does not necessary ensure employee productivity.

The relationship between top management and organizational employees is relevant in determining employee productivity. The productivity of employees can be of great impact if both financial and non-financial rewards are mixed during employee compensation. It is important to involve employees in designing of total reward strategy to ensure acceptance and commitment of employees to the strategy.

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