

## **EFFECT OF INCENTIVE ON JOB SATISFACTION**

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### **Abstract**

Firms are deploying every strategy that will improve, productivity and enhance employee's job satisfaction. Incentives scheme is one of the strategy employed by Nigerian firms to make the employee happy and to improve performance. This study examined the effect of incentives on job satisfaction. The study adopted survey research design. 162 respondents were selected through stratified random sampling technique. Structure questionnaire was used to gather the data. Chi-square test was used to analyze the data. The result revealed that incentives have significant effect on job satisfaction. Furthermore, the findings also showed that there is correlation between incentive and job satisfaction. Hence, policy makers and stakeholders in the manufacturing firms should enact a law that will mandate every firm implement one form of incentive or the other.

**Keywords:** Incentives, Job Satisfaction, Motivation, Employee

### 1.0 Introduction

The stiff competition experienced by organizations have made various firms to reassess the strategies put in place to increase productivity. Human resources is one of the most valuable assets of any organization. Firms strive to maintain competition edge through the introduction of incentives. Incentives can be defined as a reward which is meant to influence the behavior of an employees and geared him/her toward maximum performance. Eshun and Duah (2011) cited in Akafor and Boateng (2015) held the view that non-financial incentives such as rewards and recognition seem to be popular, complex and difficult due to the fact that the work environment is complex and consist of heterogeneous workforce.

Incentives play a vital role in improving employee's job satisfaction. It is needed to meet the demand of employees and more firms are continually strategizing to boost productivity. It can also make employees to set challenging goals which in turn led to greater effort, incentives commitment, production/ sales output increase and this can in the long-run lead to job satisfaction. Incentives activate the latent force residing within the employee's called motivation. The term motivation is derived from the word "motive". According to Chaudhary and Sharma (2012), motive means want, desire and need of an employee. Incentive practices accomplished the wants, desires and needs of an employees and in return, the employee repay the firm through commitment and hard work.

The practice of incentives by various firms has been seen as a catalyst that influences the employees to set personal goals. Goal setting is the primary determinant of

effort. Incentives on its own may not yield the expected result if not properly managed because employee's expectancies for the different types of incentives can affect personal goals. Thus, identifying the rights incentives and implementing it is the best way to gain the commitment of the employees and enhance their job satisfaction and productivity.

According to Ali, Bin, Piang and Ali (2016), incentives gave rise to motivation and play critical role on employee's job satisfaction and performance. Luthan (1998) explained that motivation stimulates actions that are directed towards enhancing job satisfaction and performance. Job satisfaction is a combination of psychological, physiological and environmental factor which resulted to employee job satisfaction (Hoppock, 1935).

Job satisfaction is based on employee's perception and evaluation of the job. The employee's job satisfaction could be affected by lack of incentives. These incentives may be monetary or non- monetary. Thus, having a high morale among employees can be of great value for the firms business because the happier the employees are, the higher the productive they tend to be. However, lack of job satisfaction according to Pillay (2008) manifest in the following forms: increase in the rate of absenteeism, high employee turnover and unhealthy labour union relationship with the management of the firm. Furthermore, decrease in productivity, lack of synergy among various groups/ department and lack of cooperation among the workers can led to great financial loss and also reduce the commitment of worker to the lowest ebb.

This study focus on monetary incentives such as; salaries, allowances, reward and gain sharing and non- monetary incentive such as; promotion, recognition, job enrichment, employees permanence, feedback, participation and relationship among workers. Monetary and non -monetary incentives were used to test their effect on job satisfaction in Mahaza tannery and Nigerian bottling company plc (NBC) Kano. Most of these attributes of monetary and non-monetary incentives tend to have influence on job satisfaction, However, the relationship between these attributes, performance and job satisfaction in a firm have been identified in previous researches. There is no consensus on the findings of these scholars. Gabriel and Nweke (2015), Pathak (2015), Abdullah (2013) & Erbasi (2012) found that incentives have a significant relation with job satisfaction while Akafor and Boateng (2015) revealed that there is no significant relationship between incentives and job satisfaction. Furthermore, most of the study are on job satisfaction and performance both only few are on incentive and job satisfaction. This has created a gap in contextual literature. The study contribute to other studies by examining the effect of incentive scheme on job satisfaction of employees in Mahaza tannery and NBC Kano. In order to achieve this, we hypothesize that:

Ho<sub>1</sub>: Incentives have no significant effect on job satisfaction in both Mahaza tannery and NBC Kano

Ho<sub>2</sub>: There is no correlation between incentives and job satisfaction at both Mahaza tannery and NBC Kano.

Significantly, this study will highlight the important of incentives as a potent tool for enhancing job satisfaction. Also, it tend to contribute to the existing body of knowledge and the findings, suggestion and recommendation will assist the key players in the industry, students and other stakeholders to understand how employees job satisfaction could be enhance using incentives. This paper is divided into five sections, section one is the introduction, while section two and three focused on literature review

and methodology respectively. The last two sections are the data analysis and conclusion of the study.

## 2.0 Concept of Incentive Scheme

Paille (2009) cited in Chepkemoi (2018) described incentive scheme as one of the means through which a firm encourages her employees to put up a super performance. It is no doubt that incentives influences the attitude of workers to behave in a certain way that increases productivity. The introduction of incentive scheme in workforce ignite a shift which tilt toward conditions that favors positive change. This change when successfully completed brings about improvement in job satisfaction and this led to increase in productivity. Thus, incentives can be describe as a reward system with a propelling force or a force which lowers the effect of forces that encourages job satisfaction among the employees. Luthan (1998) explained that incentive stimulate actions that are directed towards improving job satisfaction and performance. This implies that incentives are powers that keep and maintain the employee to continue putting on efforts to reach firm's goals.

Human resources is the most important economic resources used by firm. Incentive is the key element that positively impact on human resources. Lawler (2000) cited in Chenpkemoi (2018) defined incentives as monetary and non- monetary rewards offered to employees to ensure maximization of capacity utilization for high productivity. Thus, incentive can be classified into two namely monetary and non- monetary incentive. Monetary incentives include salary, allowances, gain- sharing, initial reward and special reward.

Salary is mostly paid to an employee at the end of every month for the effort his/her has put up in the firm. In Nigeria, the more regular this obligation is fulfilled, the happier the worker are and the higher the productivity. Also, payment of living wage to an employee seem to enhance job satisfaction. Employees that receive poor salary which does not commensurate with their effort seem to be dissatisfied.

Allowance are paid to worker to cushion some of the effect of economic hardship. Allowances boost the earnings of an employee. Allowances paid to employees in Nigeria include utility allowance, housing allowance, transport allowance, medical allowance and in few cases education and hazard allowance. These allowances help employees to meet up with their social and economic obligation. Allowance positively influence the behavior of employee to enhance their performance.

Gainsharing: This is a documented arrangement where employees are given a specific amount of money for meeting and exceeding a set target. This practice re-enforce a stronger bound between pay, performance and job satisfaction.

Initial reward: This is referred to as incentive given for useful initiatives. This is aimed at encouraging innovation in a firm, it is always given to an employee in monetary form. Special reward is a form of monetary reward which may not be cash but in form of official car, official housing, ticket to attend a festival and watch football match or sporting event within or outside the country. This reward is not anticipated by the employee. According to Jeffrey and Shaffar (2007), special reward can be given unanticipated with or without any bonus.

Non-monetary incentives are reward which an employee directly linked to the job itself. They are meant to fulfil the psychological need of an employee. Non-monetary

incentives includes recognition, promotion, job enrichment, permanence of an employee, feedback, interpersonal relationship and participation.

Recognition: This can be offered to a deserving employee through a written or verbal confession by the management of a firm, acknowledging the excellent job performance by an employee. This is done monthly, quarterly or yearly depending on the firm.

Promotion: This is an elevation of an employee to the next rank. It is seen as a personal growth of an employee in a firm and also a reward for effort an employee has put on the job. It comes with both monetary and psychological gains. An employee who is derived of promotion grumbles, sad, frustrated and discourage from putting more effort on the job. This can led to absenteeism, lateness, inordinate behavior and so on.

Job enrichment: Work can be seen as a reward if the employee is provided with the necessary skills, tools and material to enhance his/her performance. This can make the employee to see the work as interesting and rewarding. This will boost the morale of an employee and bring about job satisfaction. Permanence of an employee is crucial because an employee whose appointment have been regularized as a permanent staff will be focused and dedicated to his job.

Feedback: This is a useful method of improving job satisfaction. It provide an employee with useful information on his /her actual performance when compare with the set goals. An employee whose appraisal showed huge success on the various task tend to be self-fulfilled and this motivate him/ her to work harder to sustain the record.

Interpersonal relationship: This is very important because an employee who does not have a good relationship with his/her colleagues will be discourage and get frustrated in the work place. This can led to job dissatisfaction and decline in productivity.

Participation: According to Brown (1996), participation is the ability of the employee to take part and influence the firm's operation and context. Incentives have some influence over the employee's behavior. Wang (2004), explained that incentives act as a builder and a sustainer of employee's performance and job satisfaction.

## 2.1 Concept of Job Satisfaction

The success of any firm depends on how happy the employees are with their assigned job. This happiness comes from within when an employee feels that he/she is adequately rewarded for his/her effort. Locke (1995), explained that job satisfaction is a pleasurable or positive emotional state, resulting from evaluation or appraisal of one's job or job experience. Parvin (2011), opined that job satisfaction describes how contented an employee is with his/her job. Also, Nassab (2008) defined job satisfaction as the extent through which an individual is satisfied with the actual work.

Job satisfaction and incentives have a complex relationship with several variables, Castle, Degenholtz & Rosen (2006) held that that an employee may be satisfied with wages, allowances, and promotion but dissatisfied with the relationship with co-workers. Job satisfaction in a manufacturing firm seen to be correlated with human relationship within the firm and this may affect the effectiveness, efficiency, quality of work and cost of production. In several developed economies like Germany, United Kingdom, United State, France and so on, job satisfaction survey are carried out on daily basis to collate data. The data collected through this progress assist the policy maker and the various stakeholder in putting on measures that will enhance job satisfaction. The result of the survey also serve as a pointer in re-assessing the impact of various forms of incentive schemes that are being implemented by various firms.

## 2.2 Theoretical Framework

There are several theories on motivation but for the purpose of this study, expectancy theory and force field theory of change were discussed.

**Expectancy theory:** This theory held that employees behaves in manner that result to maximum job satisfaction. It explained that value system differ from one employee to another and these guard their behavior in work place. It asserts that employees are likely to act in ways which will maximize their reward. According to this theory, motivation is a function of expected relationship between effort and outcome and how attractive the reward is. Employees are more motivated when there is clear interdependence between job satisfaction, performance and reward.

**Force field theory of change:** This theory was developed by Sarkar and Singh in 2006. It is a composition of different forces which arise as a result of the way a firm conducts its business, its control system, structure and cultural practices that opposes change. A firm can improve employee job satisfaction if the management set out to tackle the forces that encourages dissatisfaction among the workers. This can be achieved through the introduction of various incentives or reward to address the issue of negative attitudinal change among workers. To identify what make an employee oppose or embrace change, it is important to know the morals and skills of that particular employees. It is the attitude of the employee that will alert the firm on the presence of the propelling or opposing forces. Job satisfaction can be enhance when there is a change in the status quo, thus the shift must tilt towards conditions that favours change. Successful change which bring about an improvement in job satisfaction can be achieved through monetary and non-monetary incentives, which serve as a propelling force that lower the effect of opposing force.

This study was anchored on expectancy theory, because it explain the interdependence between the job satisfaction, performance and reward.

## 2.3 Review of Empirical Literature

This section focused on related study on incentives, job satisfaction and performance of organization in Africa and other continent. Chepkemoi (2018) investigated the effect of incentive on employee performance at Kenya service Uasin County. The study adopted descriptive survey design. The population of the study is 115 employees. A sample size of 115 was selected using census sampling technique. Questionnaire was use for data collection. Descriptive statistics (percentages, mean, and standard deviation) was used to analyze the data, the result showed that incentives are essential for organizational performance. Pang (2018) studied the impact of employee motivation on job satisfaction and organization performance in different shipping company in Taiwan. Research survey method was used. The sample size was 96 and the instrument of questionnaire was used for data collection. The findings revealed that job performance and remuneration have positive impact on financial performance attribute and on non-financial attributes. Gabriel and Nweke (2015) examined the association between non- financial incentive and job satisfaction of hotel workers in Port Harcourt. Questionnaire was used for data collection. Spearman's rank order correlation coefficient was used to analyze the data. The result showed that there is a significant relationship between job enrichment, promotion and employee job satisfaction.

Oni Ojo, Salau, Dirisu and Waribo (2015) studied employee motivation and job satisfaction. The study employed descriptive survey method. The sample size was 127 respondents. Questionnaire, interview and respondents observation were used for data collection. The findings showed that monetary and non- monetary reward have a positive effect on employee’s attitude to work. Pathak (2015) examined job satisfaction among employees in banks in Nepal. The study adopted survey research method. Questionnaire was used to gather data from 210 respondents, the result revealed that job security is the most important factor that affect job satisfaction. This is followed by salary, promotion, interrelationship among workers, work conditions and career development. Ali, Bin, Piang and Ali (2016) studied the effect of motivation on employee’s performance in Pakistan. The study used survey research design and structured questionnaire for data collection. The findings revealed that motivation played critical role on employee’s job satisfaction and performance. Head (2014) investigated the impact of reward on job satisfaction of both private and public sector commercial bank in Chennai. 300 respondents were selected using convenience sampling techniques and questionnaire was use for data collection. The result revealed that there is a correlation between reward and employee job satisfaction. Adullah (2013) studied the association among non-monetary incentive, employee performance and job satisfaction. The study employed theoretical studies not experimental to support his argument. The findings revealed that incentives have a positive influence on job satisfaction and performance. Akafor and Boateng (2015) examined the impact of reward and recognition on job satisfaction and job motivation in private tertiary institutions in Ghana. The study employed descriptive survey design in gathering data. 157 respondent were selected using stratified sampling techniques. The findings revealed that reward has a positive impact on work motivation but no significant relationship exist between reward and job satisfaction.

Erbasi (2012) examined the effect of financial and non-financial incentives on job satisfaction in Turkey. The study employed survey method and questionnaire was used for data collection. 432 respondents were selected using random sampling technique. It was revealed that there is significant relationship between financial and non- financial incentive and job satisfaction.

### 3.0 Methodology

Descriptive survey method was adopted in carrying out the study. The population of this study consist of permanent staff and contract staff of both Mahaza tannery industry and NBC plc, Challawa, Kano. The population of the study is 273 staff, the staff were classified into skilled and unskilled staff.

A sample of 162 was selected using Yamane’s formula. Structured questionnaire and stratified random sampling was used for data collection. The chi-square test was employed by the researcher to test the significance of the responses from the respondent. Hence, if the calculated value of Chi-square is greater than the table value, the null hypothesis will be rejected, otherwise it will be accepted.

Yamane’s Formula is

$$\frac{N}{1+ N (e)^2}$$

Where N= Population size

n= Sample size

e= Margin of error (5%)

$$\begin{aligned} \text{Therefore } n &= \frac{273}{1 + 273 (0.05)^2} \\ &= \frac{273}{1.6825} \end{aligned}$$

162.3

However, as discussed in the literature review above, the following model was used for this study

### 3.0 Data Analysis, result and Discussion

The questionnaire distributed was 162 and only 130 was duly filled and returned. This indicates that 80% of the questionnaire was duly filled and returned. The respondents were selected. From administrative department, production department, quality control department, logistic and supply chain department, Account department. Maintenance department, human resource department and sales department. The respondents consist of 80 skilled and 50 unskilled workers who fall within the age bracket of 20-65 years and have put more than a year in the firm. The breakdown is contained in the table 4.1

Table 4.2 Salary and its job enrichment and employee permanence prompt payment improve job satisfaction and performance

Opinion	Skilled	Unskilled	Total
Strongly	30	12	42
Agreed	36	26	62
Neutral	10	6	16
Disagree	3	4	7
Strongly Disagree	1	2	3
Total	80	50	130

80% of the respondents agreed that salary and the timely payment improves job satisfaction and performance. 12% of the respondents did not indicate any opinion while 8% of the respondents disagreed.

Table 4.3 Payment of allowances and gain sharing make an employee happy and lead to increase in productivity

Opinion	Skilled	Unskilled	Total
Strongly	14	8	22
Agreed	60	33	93
Neutral	3	6	9
Disagree	2	1	3
Strongly Disagree	1	2	3
Total	80	50	130

115 (88.4%) of the respondents agree that the practice of allowances and gain sharing improves employee job satisfaction and increase productivity. 9 (7%) of the respondents expresses no opinion while 6 (4.6%) of the respondent disagree with the opinion.

Table 4.4. Initial and special reward, recognition, promotion, feedback and participation influence a change in employee’s behavior in a manner that gives the employee confidence happiness and instill discipline and hard work.

Opinion	Skilled	Unskilled	Total
Strongly	34	22	56
Agreed	39	26	65
Neutral	5	1	6
Disagree	1	1	2
Strongly Disagree	1	0	1
Total	80	50	130

121 (93%) of the respondents viewed initial and special reward, recognition, promotion, feedback and participation as a vital tools that employees and also instill confidence, disciple and hard work among the workers, 6(4.6%) of the respondents did not have any opinion while 3 (2.4%) of the respondents disagreed with view.

Test for Hypothesis

HO<sub>1</sub>: Incentives have no significant effect on job satisfaction

Opinion	Skilled	Unskilled	Total
Strongly	53	12	65
Agreed	24	32	56
Neutral	2	3	5
Disagree	1	2	3
Strongly Disagree	0	1	1
Total	80	50	130

O	E	O-E	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
53	40.00	13.00	169.00	4.23
12	25.00	-13.00	169.00	6.76
24	34.46	-10.46	109.41	3.18
32	21.54	10.46	109.46	5.08
2	3.08	-1.08	1.17	0.38
3	1.92	1.08	1.17	0.61
1	1.85	-0.85	0.72	0.39
2	1.15	0.85	0.72	0.63
0	0.62	-0.62	0.38	0.62
1	0.38	0.62	0.38	<u>1.00</u>
<u>22.88</u>				

Degree of freedom, n

$$n=(5-1)(2-1)$$

4

The calculated value 22.88 is greater than the table value 9.49 at 0.05 significant level. Base on the decision rule, we reject the null hypothesis. This implies that incentives have a significant effect on employee's job satisfaction in both Mahaza tannery and NBC plc, Kano.

HO<sub>2</sub>: There is no correlation between incentives and job satisfaction in both Mahaza tannery and NBC plc



Table 4.6

Opinion	Skilled	Unskilled	Total
Strongly	50	14	64
Agreed	25	30	55
Neutral	4	3	7
Disagree	1	2	3
Strongly Disagree	0	1	1
Total	80	50	130

O	E	O-E	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
50	39.38	10.62	112.78	2.86
14	24.62	-10.62	112.78	4.58
25	33.85	-8.85	78.32	2.31
30	21.15	8.85	78.32	3.70
4	4.31	-0.31	0.10	0.02
3	2.69	0.31	0.10	0.04
1	1.85	-0.85	0.72	0.39
2	1.15	0.85	0.72	0.63
0	0.62	-0.62	0.38	0.62
1	0.38	0.62	0.38	<u>1.00</u>

16.15

Degree of freedom, n

$$(5-1)(2-1)=4$$

The calculated value 16.15 is greater than the table value 9.49 at 0.05 significant level. Base on the decision rule, the null hypothesis is rejected and the alternative which says that there is a correlation between incentives and job satisfaction at both Mahaza tannery and NBC plc, is accepted. These results agreed with the findings of Chepkemoi (2018), Gabriel and Nweke (2015), Oni-ojo (2015), Pathak (2015), Head (2014), Abdulla (2013) and Erbasi (2012)

#### 4.0 Conclusion and Recommendations

Monetary and non-monetary incentives such as salary, allowances, rewards, feedback, promotion, job enrichment and so on, have been found to be a useful tool in making the employee to be highly committed in achieving the organizational goal. There is also a positive correlation between the incentive and job satisfaction, thus, employee's job satisfaction can be enhance through the introduction of incentive scheme. Hence, the policy makers and the stakeholders in the manufacturing firm enact a law that will mandate every firm to put in place some incentive package that will improve the lot of their workers and enhance job satisfaction. Finally, manufacturers should take advantage of the incentive scheme to improve their performance and reduce labour turnover.

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