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### IMPACT OF REWARD SYSTEMS ON EMPLOYEE MOTIVATION AMONG EMPLOYEES IN PRIVATE SECTORS IN JEDDAH

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#### **ABSTRACT**

In order for employees to do their best in their work, managers and employers must come up with a way to improve their well-being and make them feel as if they are part of the organization. One of the methods is the use of rewards. Both monetary and non-monetary rewards act as motivation for employees. Employees feel encouraged to do better when they are valued for their performance. Thus, this work was done to analyze the relationship between reward systems and employee motivation in organizations in Jeddah, Saudi Arabia. The research involved the use of primary data collected using questionnaires from employees in private firms in Jeddah Saudi Arabia. A simple random method has been used for sampling. The sample size for this work were 86 employees. Collected data were analyzed in terms of basic statistics. The findings of this work have shown that that the private organization in Jeddah have been practicing benefits and compensation policies when it comes to rewarding the employees. Furthermore, the organization uses both non-monetary and monetary rewards to motivate employee's performance. Thus, findings have confirmed that there is relationship between reward systems and employee motivation in organizations.

#### **CCS Concepts**

• *Information systems* → *Database management system engines* • *Computing methodologies* → *Massively parallel and high-performance simulations.*

## INTRODUCTION

A reward can be defined to as compensation received by an employee given by an employer in exchange of the services they offered as a return for work done [1]. The reward management system in any organization is seen to be focused on managing the expectations of employees that they expect their employer to meet in exchange for their contribution. The process also involves the development and implementation of policies, systems and strategies that are essential for the organization to achieve its objectives by identifying and retaining people fit for work [2]. The employers and the workers both derive some benefits when reward systems are used in motivating employee performance in any organization as well as enjoying a fruitful and favorable working environment.

Globally, the main concern of organizations is to use effective strategies to govern human capital to boost productivity [3]. The reason behind the use of reward systems for employees is to motivate them to perform better by fulfilling their needs, since the employee turnover will be very high [4]. The performance assessment process begins with the employee and the employer discusses future objectives and objectives for the following year [3,4]. Staff members need to be assured that their contribution is recognized in the business for them to be motivated to do their best. Managing performance and feedback is not usually a one-step process, but an ongoing process that takes place throughout the year and occurs as many times as possible depending on what management considers necessary. The management shall carry out the assessment in order to recognize the performance of the employee, to evaluate the job satisfaction of the employee and to plan together for improved performance [5].

Human resource management has therefore made efforts in relation to the reward management system as well as factors affecting the performance of employees. A reward system has been in place for ages, focusing mainly on monetary rewards, but employees ' preference has changed overtime, leading to an increase in non-monetary rewards [6]. The reward system is divided into two categories of monetary and non-monetary rewards [7]. Non-monetary rewards are intended to promote opportunities through the recognition and autonomy of employees, which have led to excellent job performance [8]. Flexible working hours, favorable environments, training and new opportunities, marginal benefits, allowances such as free fuel, health insurance and free lunch are all rewards designed to meet the internal needs of employees. On the other hand, monetary rewards involve financial resources such as high pay, bonuses and promotions [9]. Private companies have, for the most part, been seen to be more effective in motivating their employees through the use of monetary rewards than the public organization whose pay levels are generally low.

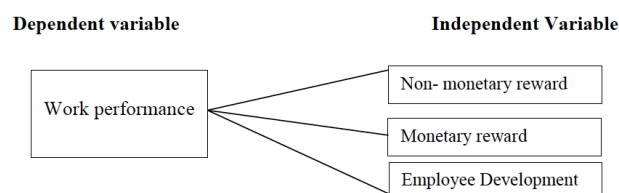
According to Peluso et al. [10], these rewards are essential for employees as they enable them to acquire new skills and opportunities that are important for advancement. Furthermore, Chinyio et al. [11] stated that non-monetary rewards are in a position to increase the creativity of employees, as they recognize that they will be gifted. Thus, working hard to exceed their limits in

comparison to cases where they simply comply with organizational requirements and rules. On the other hand, Rose et al. [12] stated that each individual main objective to work is to satisfy their needs, which are met by monetary rewards. In addition, efforts to increase performance expectations are strongly influenced by performance assessments that are part of the reward system. Rose et al. [12] also found that, despite the positive significance of the monetary reward, some employees may tend to have a different view of the way in which monetary rewards are given.

The different ways in which employees are rewarded and valued in any organization can have a huge impact on the effectiveness of the organization as well as being at the heart of the employment relationship [13]. Ignoring the adoption of reward frameworks that are essential can negatively affect the level of commitment, morale and motivation of employees, which in turn would reduce the efficiency and performance of the organization [13]. Decreases and high rates of employee turnover have remained a major challenge facing most organizations due to their failure to apply rewards that sometimes only require a little effort. Thus, this work was done to analyze the relationship between reward systems and employee motivation in organizations in Jeddah.

## METHODOLOGY

In this study, quantitative research method was utilized. The sample was taken from private firms that were based in Jeddah. The sample size was 86 employees from ten firms that were based in Jeddah Saudi Arabia. The samples were chosen using random sampling techniques. In this work, data collection was done using questionnaire. The collected data were analyzed in terms of basic statistics and were presented in graphical form. Figure 1 shows the conceptual framework for this study.

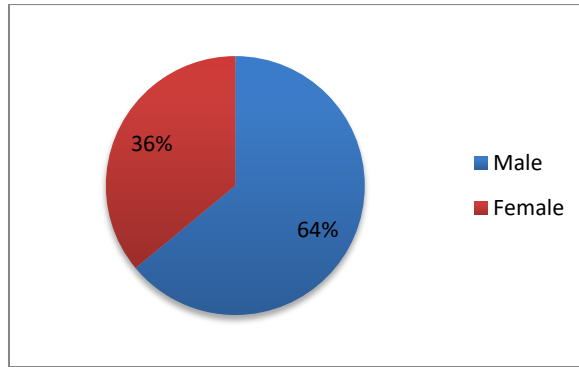


**Figure 1** Conceptual framework

### *Result And Discussion*

#### *Demographic Characteristics*

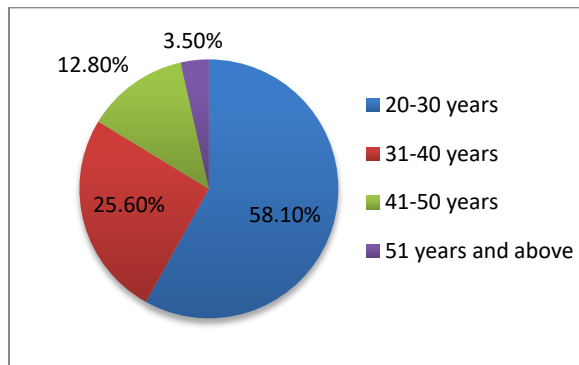
Based on Figure 2, 36 % of the respondents were male and 64 % were female.



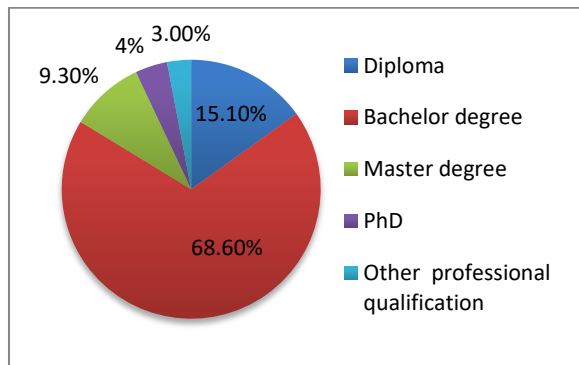
**Figure 2** Gender

Based on Figure 3, in terms of age, 58.10 % of the respondents were aged between 20 to 30 years old, 25.60 % were aged between 31 to 40 years old, 12.80% were aged between 41 to 50 years old, and 3.50% were aged 51 years old and above.

Based on Figure 4, in terms of education, 15.10 % of the respondents have completed diploma, 68.60% have completed bachelor degree, 9.30 % have completed master degree, 4 % have completed PhD and 3 % have completed other professional qualification.



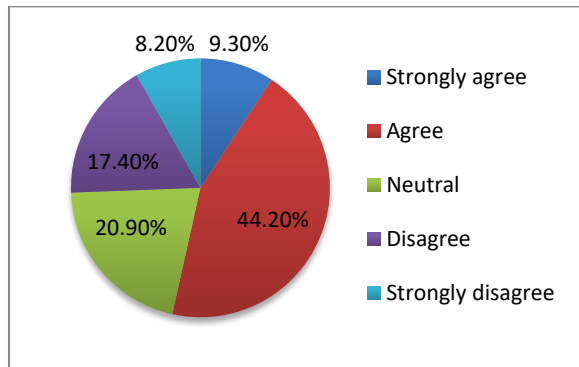
**Figure 3** Age



**Figure 4.**Education level

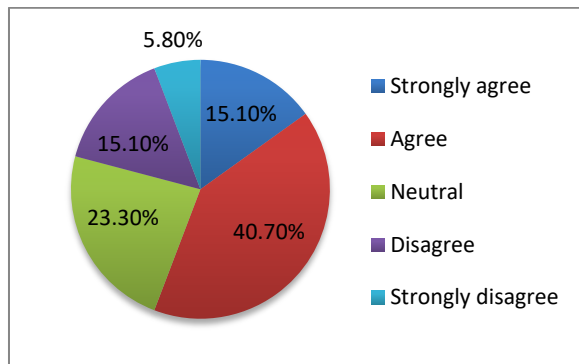
**Questionnaire Analysis**

In this section, questions related to reward systems and employee motivation were scrutinized. The respondents were asked whether benefits and compensation policies were regularly reviewed. Based on Figure 5, 9.30 % of the respondents strongly agree, 44.20 % agree, 20.90 % were neutral, 17.40 % of the respondents disagree and 8.20 % of the respondents strongly disagree.



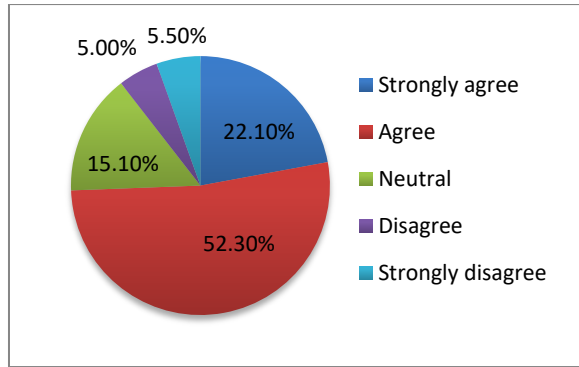
**Figure 5.**Benefits and compensation policies were regularly reviewed

The respondents were asked whether employees rewards system impacts job satisfaction. Based on Figure 6, 15.10 % of the respondents strongly agree, 40.70 % agree, 23.30 % were neutral, 15.10 % of the respondents disagree and 5.80 % of the respondents strongly disagree.



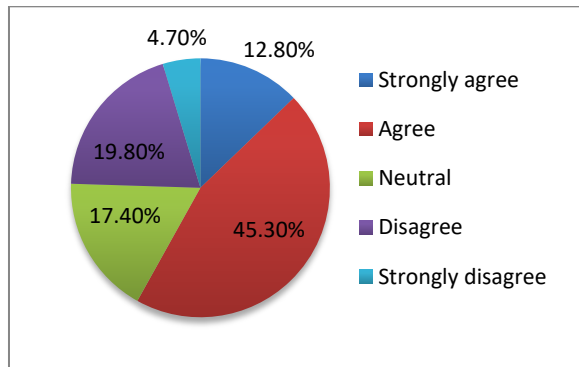
**Figure 6** Employees rewards system impacts job satisfaction

The respondents were asked whether rewards and benefits contribute to employee motivation. Based on Figure 7, 22.10 % of the respondents strongly agree, 52.30 % agree, 15.10 % were neutral, 5.00 % of the respondents disagree and 5.50 % of the respondents strongly disagree.



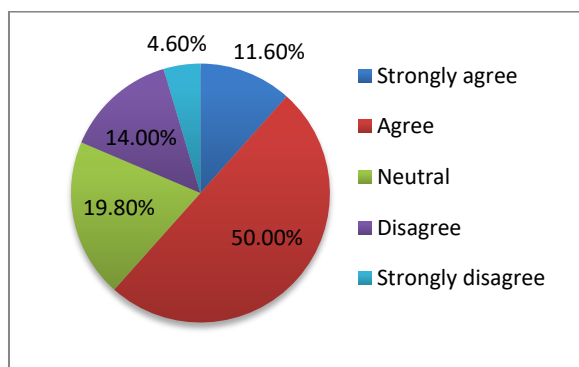
**Figure 7** Rewards and benefits contribute to employee motivation

The respondents were asked whether company benefits program include day care benefits, membership allowances to gyms, social amenities and other exercising activities. Based on Figure 8, 12.80 % of the respondents strongly agree, 45.30 % agree, 17.40 % were neutral, 19.80 % of the respondents disagree and 4.70 % of the respondents strongly disagree.



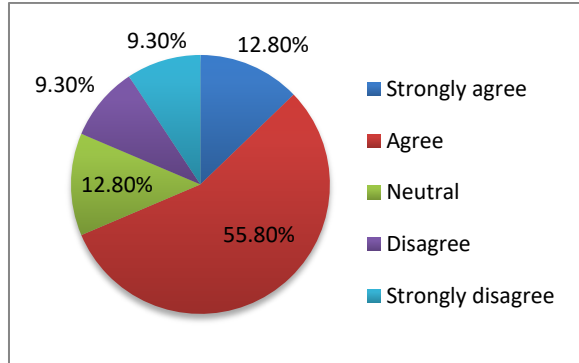
**Figure 8** Company benefits program include day care benefits, membership allowances to gyms, social amenities and other exercising activities

The respondents were asked whether the organization recognizes team members equally for good performance. Based on Figure 9, 11.60 % of the respondents strongly agree, 50 % agree, 19.80 % were neutral, 14.00 % of the respondents disagree and 4.60 % of the respondents strongly disagree.



**Figure 9.**Organization recognizes team members equally for good performance

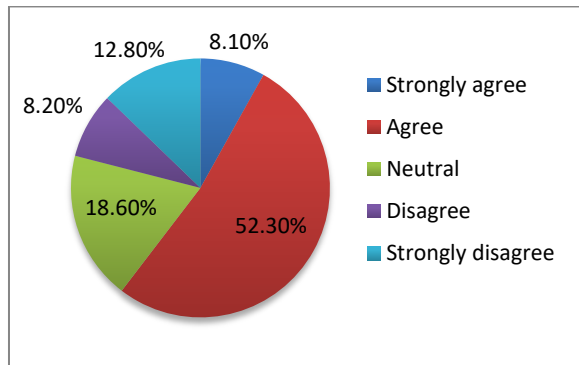
The respondents were asked whether giving formal recognition for employee efforts make a difference. Based on Figure 10, 12.80 % of the respondents strongly agree, 55.80 % agree, 12.80 % were neutral, 9.30 % of the respondents disagree and 9.30 % of the respondents strongly disagree.



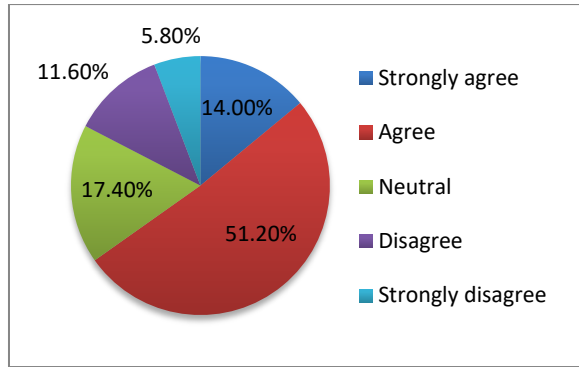
**Figure 10.** Giving formal recognition for employee efforts make a difference

The respondents were asked whether annual bonus are based on the company’s achievement in financial targets. Based on Figure 11, 8.10 % of the respondents strongly agree, 52.30 % agree, 18.60 % were neutral, 8.20 % of the respondents disagree and 12.80 % of the respondents strongly disagree.

The respondents were asked whether there is a working monetary reward policy on employee performance. Based on Figure 12, 14.00 % of the respondents strongly agree, 51.20 % agree, 17.40 % were neutral, 11.60 % of the respondents disagree and 5.80 % of the respondents strongly disagree.

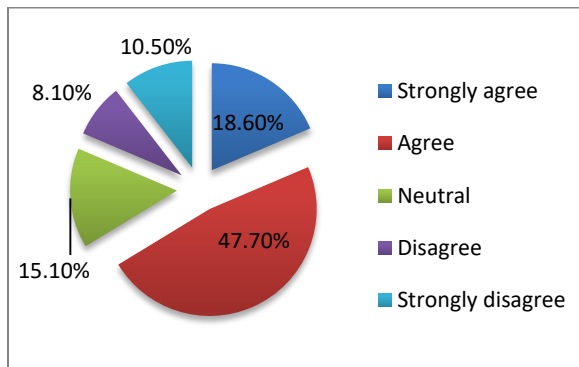


**Figure 11.** Annual bonus are based on the company’s achievement in financial targets



**Figure 12.** Monetary reward policy on employee performance

The respondents were asked whether employee development improves employee motivation. Based on Figure 13, 18.60 % of the respondents strongly agree, 47.70 % agree, 15.10 % were neutral, 8.10 % of the respondents disagree and 10.50 % of the respondents strongly disagree.

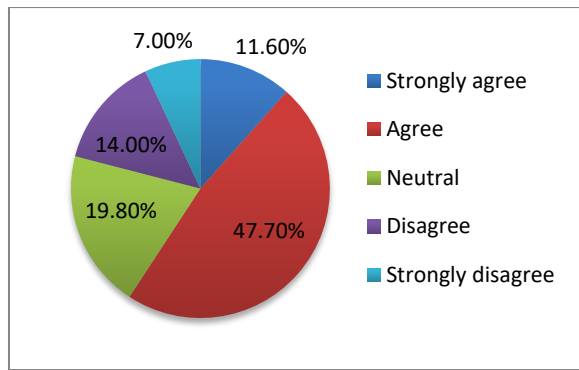


**Figure 13.** Employee development improves employee motivation

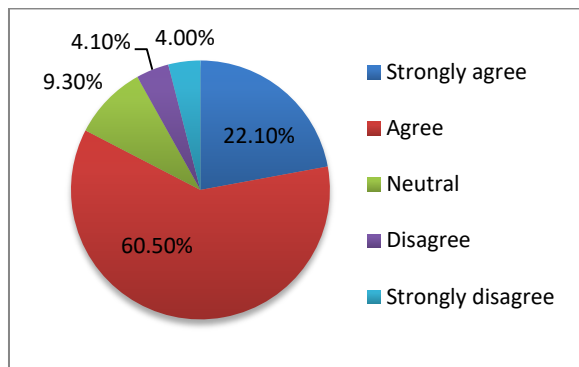
The respondents were asked whether employee development opportunities are offered regularly. Based on Figure 14, 11.60 % of the respondents strongly agree, 47.70 % agree, 19.80 % were neutral, 14.00 % of the respondents disagree and 7.00 % of the respondents strongly disagree.

The respondents were asked whether employee development improves employee commitment in an organization. Based on Figure 15, 22.10 % of the respondents strongly agree, 60.50 % agree, 9.30 % were neutral, 4.10 % of the respondents disagree and 4.00 % of the respondents strongly disagree.





**Figure 14.**Employee development opportunities are offered regularly



**Figure 15.**Employee development improves employee commitment in an organization

**Overall Discussion**

This study analyzed the relationship between reward systems and employee motivation in organizations in Jeddah. The findings have shown that the private organization in Jeddah have been practicing benefits and compensation policies when it comes to rewarding the employees. Furthermore, the organization uses non-monetary rewards to motivate employee’s performance like the offering day care centers, recognizing differences made in the company and outside the company, and offering benefits programs like social amenities and gym activities. Team membership and formal recognition are made in order to improve the motivation of employees. The monetary rewards used by the organization to motivate employees are annual bonuses, awards and rewards for policy measures. This improves the motivation of employees in an organization. Employee motivation can also be provided through employee development programs such as training. Employee development can improve and motivate their commitments to work. Thus, based on the overall findings of this work, it is deduced that there is relationship between reward systems and employee motivation in organizations. The outcome of this work is inline with the work of Noe et al. [14], where it has been reported that with a proper reward system, employees tend to perform well for their organization with a high level of motivation. In addition, the work done by Lin and Lo [15] has confirmed that employees have demonstrated higher level of motivation when the organization practices good reward schemes for its employees.

## CONCLUSION

The study aimed to explain the impact of systems of rewards in the motivation of employees of private sectors of Jeddah. The findings of this work have shown that there is relationship between reward systems and employee motivation in organizations. This was demonstrated by the survey, in which all agreed that monetary rewards, non-monetary rewards, and employee development had a positive effect on employee performance. This concludes that organizations should offer a generic rewarding strategy to help employees improve their work performance.

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