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Review

Reward System and Job Satisfaction: A Conceptual Review

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Reward system is considered one of the most important factors that increase job satisfaction among employee. It is because reward system fulfills employees' needs which increase the interaction between the employee and the organization. on another hand , employee feels that he is value when his organization pay him well, recognize his effort and through other dimensions of reward system whatever it was extrinsic reward or intrinsic reward.

Keywords: reward system, job satisfaction, Maslow's Need Theory, Expectancy theory, Two Factor Theory.

INTRODUCTION

However, in many companies and reward system are designed by human resource department while the evaluation of employees and organization performance are done by the finance department. People join organizations with certain motives like security of income and job, better prospects in future, and satisfaction of social and psychological needs. Every person has different sets of needs at different times. It is the responsibility of management to recognize this basic fact and provide appropriate opportunities and environments to people at work to satisfy their needs (Rao, 2000). Furthermore, usually the incentives and the reward system are designed by the top management based on their perceptions without consulting the employee at the

lower level. In this case, the incentives and the reward system may not be able to achieve the employee's satisfaction. Also, such system will not be able to change their attitude and behavior toward the organization as they feel that their contribution to the organization is not well recognized. Therefore, the present study tends to overcome this issue and provides insight to the strong relationship between rewards system and job satisfaction.

Maslow's Need Theory

Maslow's (1943) need-based theory of motivation is the

most commonly known theory of motivation according to which there are five fundamental needs of a person i.e., physiological, security, affiliation, esteem, and self-actualization (Mary and Ann, 2011).

This theory explains employees' physiological needs that may include pay, benefits, health and medical facility, accommodation and transportation, and comfortable working environment. Many of things an employee concerns about such as job security, fair treatment, protection against threats and many more. Affiliation needs of a employee can be the liking of head towards him, participation in departmental decisions, acceptance from colleagues and co-workers etc. whereas esteem needs of employees may include the need for recognition from the departmental head, colleagues and subordinate (Rasheed et al., 2010).

Physiological Needs

Physiological Needs are the basic needs that every individual needs to survive. They are like food, air, shelter and water. If these basic needs are not met, then the employee will not be able to go through other levels (Mary and Ann, 2011).

Safety Needs

Safety needs are the needs related the feeling of the employee of being secure and safe like having the medical insurance, job security, etc.

Social Needs –Love and Belonging

These needs are related to the interactions with other. The relationship of the individual with the people surroundings. Like having friends and feel accepted from others.

Esteem Needs

Esteem is the feeling of being important. Esteem needs are classified to internal and external needs (Vance andPravin 1976). Internal esteems are these related to self-esteem like respect and achievement. External esteem needs are those such as social status and recognition that comes with the achievement.

Self-Actualization Needs

It is the need of reaching the full potential as an employee. According to Vance and Pravin (1976) this

need is never fully achieved. Self-Actualization Needs are like truth, wisdom and justice.

According to Maslow, lower needs take priority. They must be fulfilled before the others are activated. He added, once a need is satisfied it is no longer a need. It ceases to motivate employees' behavior and they are motivated by the need at the next level up the hierarchy.

Expectancy theory

Expectancy theory is a cognitive process theory of motivation that is based on the idea that people believe there are relationships between the effort they put forth at work, the performance they achieve from that effort, and the rewards they receive from their effort and performance. In other words, people will be motivated if they believe that strong effort will lead to good performance and good performance will lead to desired rewards. Victor Vroom (1964) was the first to develop an expectancy theory with direct application to work settings, which was later expanded and refined by Porter and Lawler (1968) and others (Pinder, 1987).

Expectancy theory is based on four assumptions (Vroom, 1964). One assumption is that people join organizations with expectations about their needs, motivations, and past experiences. These influence how individuals react to the organization. A second assumption is that an individual's behavior is a result of conscious choice. That is, people are free to choose those behaviors suggested by their own expectancy calculations. A third assumption is that people want different things from the organization (e.g., good salary, job security, advancement, and challenge). A fourth assumption is that people will choose among alternatives so as to optimize outcomes for them personally (Lunenburg F. 2011).

The expectancy theory based on these assumptions has three key elements: expectancy, instrumentality, and valence. A person is motivated to the degree that he or she believes that (a) effort will lead to acceptable performance (expectancy), (b) performance will be rewarded (instrumentality), and (c) the value of the rewards is highly positive (valence).

- **Expectancy:** Expectancy can be described as the belief that higher or increased effort will yield better performance.
- **Instrumentality:** Instrumentality can be described as the thought that if an individual performs well, then a valued outcome will come to that individual.
- **Valence:** Valence means "value" and refers to beliefs about outcome desirability (Redmond, 2010).

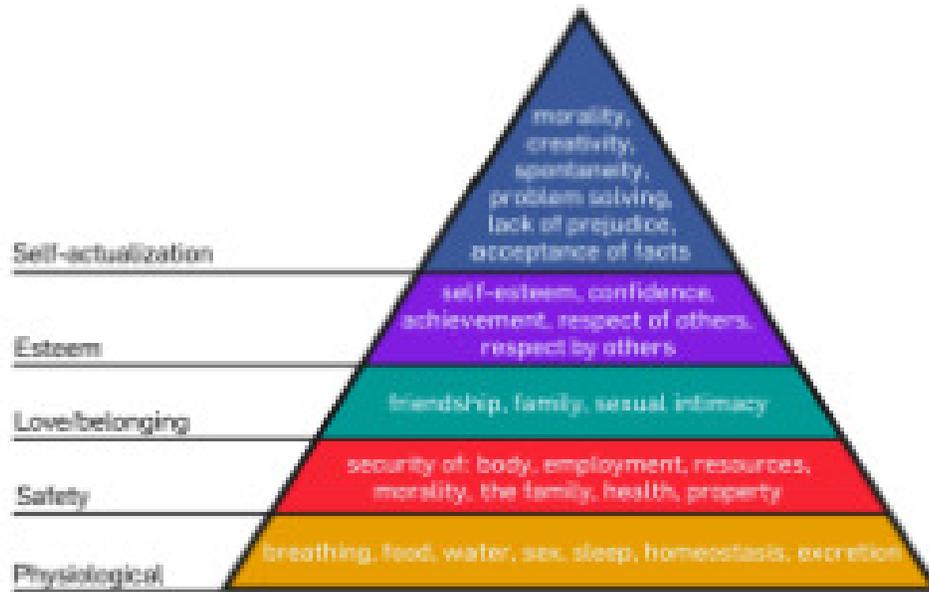


Figure 1. The five level of needs according to Maslow

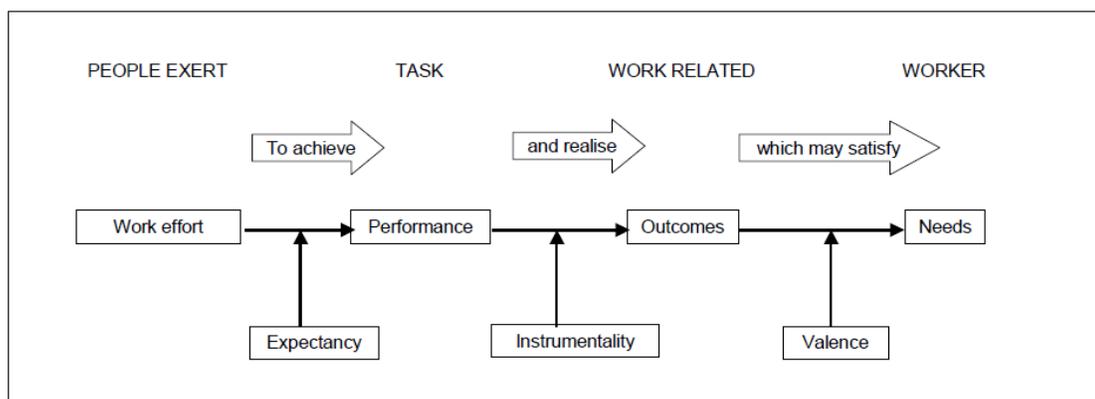


Figure 2. Conceptual model of expectancy
Source: from William Maloney and James McFillen (1985)

The Concept of Reward System

Reward system according to Armstrong (2001) consists of an organization's integrated policies, processes and practices for rewarding its employees in accordance with their contribution, skill and competence and their markets worth.. Reward is defined as anything that extrinsically or intrinsically reinforced maintains and improves the employees' behavior in an organization (Goodale et al., 1997). Reward is the compensation which an employee receives from an organization for exchanging of the service offered by the employee or as the return for the work done (Zhou et al., 2009). (Bau, and Dowling, 2007)

give examples such as a fixed base salary, variable allowance and employee stock ownership plans which can be used to reward achievements of employees. (Zhou et al., 2009) further states that rewards are not just financial but it can be non-financial reward too such as, recognition, empowerment, praise and etc.

Robert (2005) defines rewards is the method of implementing and increasing rewards policies, strategies and systems that help the firm to achieve its objectives by keeping the peopel needs and increasing their motivation and commitment.

Johnson and et al (2010) outlines the aims of reward system to include: attract, retain and motivate employee,

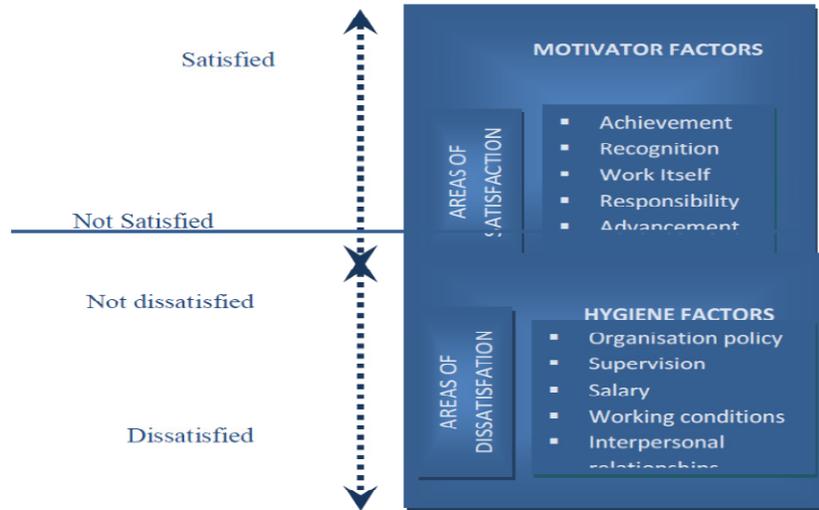


Figure 3. Model of Herzberg's two –factor theory
 Source: Smit et al [2011:390]

to support the attainment of the organization's strategic and short term objectives by helping to ensure that it has the skilled, competent, committed and well motivated work force it needs, to meet the expectations of employees that they will be treated equitably, fairly and consistently in relation to the work they do and their contribution. Neckermann and Kosfeld (2008) draw a distinction between two basic types of rewards namely: Intrinsic rewards and extrinsic rewards. Intrinsic Rewards: Intrinsic rewards often called non-financial rewards are inherent of an activity and their administration is not dependent upon the presence or actions of any other person or thing. Intrinsic is concerned about the feeling of being recognized, praised for a job well done and participation in whatever we do. Extrinsic rewards do not follow naturally or inherently from the performance of an activity but are administered to a person by some external agents. Extrinsic reward concerns such motivations like money, retirement benefits, health insurance scheme, compensation, salary, bonus, etc.

Theories of Job Satisfaction

Two Factors Theory

Herzberg's two-factor theory could be used to link employee motivation to performance. Since the late 1950s, several researchers have theorized about the nature of job satisfaction and have developed models in attempts to explain the differences in job satisfaction as detected in empirical studies.

On the other hand Herzberg (1959) has divided the motivational factors in terms of job satisfaction. He pointed out that factors giving job satisfaction (called motivators) are different from the factors that give job dissatisfaction (called hygiene factors). He further emphasized that hygiene factors will not necessarily increase job satisfaction but can lead towards low motivation as compare to motivators. Hygiene factors can be the salary, support, interpersonal relationship with supervisors and work conditions.

If these factors are favorable in terms of highly facilitated working environment, increased colleague support and satisfactory compensation schemes, they can lead towards high work performance, however, if unfavorable these factors may directly influence employee's inspiration/motivation to do his best (Rasheed et al., 2010).

On the contrary, Herzberg (1959) has described motivators as internal motivating factors which always stimulate the employee's motivation to put his best efforts. These motivators include recognition from departmental head, empowerment, students' achievement or career advancements (Rasheed et al., 2010).

Equity Theory

Equity theory is primarily a motivation theory, but it has some important things to say about the causes of satisfaction /dissatisfaction. The proponents of this theory are of the view that a person's satisfaction is determined

by his perceived equity, which in turn is determined by his input- output balance compared to his comparison of others input-output balance is the perceived ratio of what a person receives from his job relative to what he contributes to the job. This theory is of the view that both under and over rewards lead to dissatisfaction. While the under-reward causes feelings of unfair treatment, over-reward leads to feelings of guilt and discomfort (Edward, 1973)

Concept of Job Satisfaction

Robbins and Judge (2013) described job satisfaction as positive feelings about a job, resulting from an evaluation of its characteristics. A person with high level of job satisfaction holds positive feeling about his or her job, while a person with a low level holds negative feelings. Job satisfaction can be influenced by a variety of factors. Opkara (2002) stated that factors such as pay, the work itself, supervision, relationships with co-workers and opportunities for promotions have been found to contribute to job satisfaction.

Job satisfaction results from an evaluation of the job's characteristics. Job satisfaction is defined as how people feel about their jobs and different aspects of their jobs (Hedge and Borman, 2012). Job satisfaction is the extent to which people like or dislike their jobs and the degree to which they feel positively or negatively about various aspects of their jobs. According to Salazar et al. (2006), the assumption behind this definition is that people are able to balance their specific satisfactions and dissatisfactions and arrive at a general degree of satisfaction with their job. In addition, they believed that specific individual and situational characteristics influence job satisfaction. Individual characteristics include personality, education, gender and family roles, whereas situational characteristics include job characteristics, organizational characteristics and promotion opportunities.

CONCLUSION

The study discussed both of reward system and job satisfaction and the relationship between them through many of theories which deal with . reward system is very important to achieve the employee satisfaction whatever it was extrinsic or intrinsic due to the need of employees and their views different from one to another.

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