ZIBELINE INTERNATIONAL™ PUBLISHING
E-ISSN: 2990-9449 (Online)
CODEN: BEDCAS

Business and Economics in Developing Countries (BEDC)

DOI: http://doi.org/10.26480/bedc.02.2023.97.100

REVIEW ARTICLE

IMPACT OF INCENTIVES TO THE JOB PERFORMANCE OF EMPLOYEES ON SELECTED PRIVATE COMPANIES IN SAN PABLO CITY, LAGUNA

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ARTICLE DETAILS

Article History:

Received 25 June 2023
Revised 05 July 2023
Accepted 14 August 2023
Available online 18 August 2023

ABSTRACT

Motivation plays a significant role in every worker's job performance. In this study, monetary and non-monetary motivational factors were considered. The research focused on how this motivation, specifically working incentives, affects the job performance of employees of selected private companies in San Pablo City, Laguna, Philippines. Fifty-three (53) employees from private companies participated in the study. A quantitative research design was employed using an adopted survey questionnaire to measure the effects of incentives on job performance in terms of four dimensions: task, contextual, adaptive, and counterproductive work behavior. Average weighted mean and one-way ANOVA statistics analysis were utilized to determine the effects of incentives and the significant difference on the job performance of the employees. Based on the findings, it was concluded that giving incentives, especially monetary incentives significantly improved employees' performances. Furthermore, it was found that there was a significant difference between the impacts of incentives to the employees' job performance when employees were grouped to their preferred type of incentive. Thus, giving incentives to the employees is highly recommended, because the higher the financial incentives, the higher the motivation. As a result, worker morale will be greater and companies will profit better.

KEYWORDS

Motivation, Job Performance, Incentives – Intrinsic, Extrinsic – Monetary – Non-Monetary

1. INTRODUCTION

In the modern economy, labor force or human resources is considered to be the most important factor of production or productive resource. Without the support of human resources, it is very difficult to conduct economic activity in any economy. Labor force includes the work performance of employees in an organization. According to a study, job performance assesses whether a person performs a job well (Campbell, et al., 1993). Job performance, studied academically as part of industrial and organizational psychology, also forms a part of human resources management. Performance is an important criterion for organizational outcomes and success (Campbell, et al., 1993).

Motivation is the reason for which humans and other animals initiate, continue, or terminate a behavior at a given time. Motivational states are commonly understood as forces acting within the agent that create a disposition to engage in goal-directed behavior. It is often held that different mental states compete with each other and that only the strongest state determines behavior (Wasserman and Wasserman, 2020). Motivational states are frequently interpreted as internal forces that produce a disposition to participate in goal-directed activity. It plays a key role in achieving goals and business objectives around the world, and is equally important for organizations working in team environments and workplaces where employees work independently.

To generate and maintain high levels of motivation, it is important to ensure that each employee's goals and values at work are aligned with the company's mission and vision. For this reason, all organizations nowadays are increasingly focused on motivating their employees using various motivational strategies and techniques to get the best performances of the employees that will surely increase productivity in all departments, improve the quality of work, and bring economic benefits.

Generally, there are two ways to increase motivation: (1) Financial Motivation, and (2) Non-Financial Motivation. Financial motivation techniques are based on monetary incentives; rewards such as cash or gifts with a monetary value are included. Basically, they are directly or indirectly related to money. Money is considered the most effective and important source of motivation because it is a medium of exchange and has purchasing power ability. It can also be used to satisfy different necessities, comforts and luxuries. Other examples of monetary incentives include salary, bonuses, paid time off, health care and housing, profit sharing, and car allowance. While non-financial motivations are non-cash perks or benefits provided by an employer to an employee, unlike monetary incentives, non-monetary incentives are mainly psychological in nature because they bring psychological satisfaction and joy to employees. Some examples of non-monetary incentives include status, respect, prestige, professional fulfilment, reputation, job security, responsibility, and competition. These incentives meet the psychosocial needs of employees.

To determine the impacts of incentives to the job performance of the employees, the researcher adopted a method based on a study about individual work performance (IWP), which can be divided into four dimensions: task performance, contextual performance, adaptive performance, and counterproductive work behavior. This research study was conducted to determine the following: the impacts of incentives given by companies on the job performance of the employees in terms of Task Performance; Contextual Performance – Interpersonal; Contextual Performance – Organizational; Adaptive Performance; and Counterproductive Work Behavior and the significant difference in the impacts of incentives given by companies on job performance when employees are grouped by preferred type of incentive – monetary or non-monetary.

2. Literature Review

Theories on incentives: Incentives can be broken down into two categories; intrinsic incentives and extrinsic incentives (Masterclass, 2022). The motivation of people's behaviour comes from within. In activities, they are often motivated by the task itself or the internal reward rather than the external reward. There are many internal rewards, for example, participating in activities can satisfy people's sense of achievement and bring them positive emotions. An intrinsic incentive is when a person is motivated to act in a certain way for their own personal satisfaction. This means that when a person is intrinsically incentivised, they perform a certain task to please themselves and are not seeking any external reward, nor facing any external pressure to perform the task (Li, 2019).

On the other hand, as per Sennett, Phil, an extrinsic incentive is when a person has external pressure persuading them to act in a particular way (Phil, 2021). The external pressure could include either a reward for completing the task or could be a form of punishment or consequence if the task is not completed. When people have difficulty completing a task or lack interest in participating in an activity, extrinsic incentives can often be effective in helping people improve their motivation. Intrinsic incentives and extrinsic incentives are both important and drive people's behaviour (Phil, 2021).

"Incentives are designed to encourage performance of employees regardless of the form of incentives. It plays an important role in promoting employees' capacity and moving abilities, motivating them to develop their skills, abilities and balance between organization requirements and the individuals' needs which improve the organization performance effectively and efficiently. The concept of financial incentives: Financial incentives may mean the amounts paid to employees, either in the form of a lump sum or in the form of monthly payments or in any other form which serves as additional income to an employee. It is considered the oldest forms of incentives which is characterized by quick and immediate form that make employee feel of immediate feedback of their effort in meeting the organizational goal," as stated by (Lucas et al., 2016).

According to a study, financial incentives is a set which may satisfy basic human needs, encourage employee to do their best, and increase the level of their competences such as through prompt payment of salary, bonuses, allowances, profit sharing and rewards (Lawzi, 1995). In general, "incentives are anything that persuades a person to alter their behaviour. It is emphasised that incentives matter by the basic law of economists and the laws of behaviour, which state that higher incentives amount to greater levels of effort and therefore, higher levels of performance." (Gneezy et al., 2011).

Moreover, financial incentives as any form of payment based on increased and or improved productivity, as a result the employee earns more as they produce, as defined by (Jadallah, 1997). While the fall in quantitative or qualitative production deny the worker from earning partial or total incentives, financial incentives on the other hand try to raise productivity and improve performance through encouraging employee to behave in a desired and prescribed manner in order to achieve organizational goal. The most influential factor that may raise the need of workers to work is financial incentives which may be in form of wages, are appropriate and capable of satisfying employees need. On the contrary, low payment that is not appropriate to his efforts of work may lead to the low efficiency of productivity (Al-Harthi, 1999).

The advantages of financial incentives to an organization may include a rapid and immediate impact on the employees' efforts that encourage him to do his work to the fullest, increase in production, increase in revenue as a result of increase in productivity and improvement in performance. According to a study, employees gain numerous psychological and social benefits as a result of enhancing his purchasing power to satisfy his needs of goods and services (Al-Jahni, 1998). According to a study, "Behavior change is often a goal for staff working directly with constituents, organizations, governments or communities (Judeh, 1985). Employees charged with this task can be thought of as interventionist whose goal it is to design and implement programs or interventions that produce the desired behavioral changes". It means any change in human behavior through the use of positive or negative support elements; this applies to both the organization and the individual. So, when the individual in the organization performs well, the management should praise him in any form of incentives (Judeh, 1985).

Financial incentives and rewards are believed to have a positive impact on employee engagement and loyalty around the world. Employee loyalty is an employee's dedication or psychological bond to an organization. Also, it is defined as an employee's ability to stay with the organization. Usually, employees remain with the organization because the costs of leaving the organization outweigh the benefits of organizational membership. With this, financial incentives and rewards make continuation of the employment relationship because they create the basis for high levels of commitment and employee motivation, as per (Barongo and Edmund, 2013).

Theories on motivation: Increasing motivation, commitment and engagement levels are key organizational aspects nowadays. The development of compensation policies has an important role in motivating workforce to deliver high levels of performance, discretionary effort and contribution. (Anna and Sanni, 2010). One of the most well-known theories of human motivation is that of (McClelland, 1962). He developed a meaning and model for motivation. He stated that basic motivators are vital to meeting a person's needs, because they describe a pattern of how an individual may behave. This theory of motivation is dominated by three types of motivational needs: need for achievement, need for affiliation and the need for power. McClelland asserts that people have either one of these needs or a combination of these three needs which motivate them toward a certain pattern of behavior.

- Need for achievement: This is the need to accomplish goals, stand out and be successful. A person with this type of need will set goals that are challenging but rational. The goals have to be demanding so that the person can feel a sense of achievement. However the goals also have to be specific and realistic as the person believes that when a goal is unrealistic, its achievement is dependent on possibility rather than personal skill or contribution. This type of person prefers to work alone or with other high achievers.

- Need for affiliation: This is the need for friendly relationships and human interaction. There is a need to feel liked and received by others especially by co-workers and employers.

- Need for power: This is the need to lead others and make an impact. This need can be exhibited in two ways. The first is the need for personal power that may be viewed as undesirable as the person simply needs to feel that they have power over others. The second type is the need for institutional power. People with the need for institutional power want to direct the efforts of their team, to further the objectives of their organization (McClelland, 1962).

Theories on job performance: According to a study, Job performance is defined as a certain behavior that organizations expect an individual to carry out (Wei and Yaoping 2021). Performance is composed of many other different concepts but on a basic level. It can be described as behavioral engagement with an expected outcome, where behavior shows the action people perform to complete the work; outcomes exhibit the results of individual job behavior. Performance is considered a multi-dimensional concept. Job performance has received research attention in the last few decades. Effectiveness of job tasks involves evaluating the results of employee performance (i.e., financial value of sales) (Wei and Yaoping 2021).

A group of researchers said in their study that "Theoretically, individual work performance (IWP) can be divided into four dimensions: task performance, contextual performance, adaptive performance, and counterproductive work behaviour (Koopmans et al., 2014)." Task Performance can be defined as the effectiveness with which an employee performs activities that contribute to the organization's technical core, either directly by implementing a part of its technological process, or indirectly by providing it with needed materials or services, this was according to (Borman and Motowidlo, 1993). Moreover, task performance describes the core job responsibilities of an employee. It is also called "in-role prescribed behavior" and is reflected in specific work outcomes and deliverables as well as their quality and quantity.

On the other hand, contextual performance is the ability of employees to contribute to the overall well-being of the organization. In addition, contextual performance goes beyond formal job responsibilities. Also referred to as "discretionary extra-role behavior", contextual performance is reflected in activities such as coaching coworkers, strengthening social networks within an organization and going the extra mile for the organization (Kumar et al., 2023). According to a study, Adaptive Performance in the work environment refers to adjusting to and understanding change in the workplace (Pulakos et al., 2000). This means that employees, who display high adaptive performance in an organization, tend to have more advantages in career opportunities unlike employees who are not adaptable to change (Pulakos et al., 2000). In other words, an employee who is versatile is valued and important in the success of an organization. Employers seek employees with high adaptability, due to the positive outcomes that follow, such as excellent work performance, work attitude, and ability to handle stress (Leiz et al., 2009).

Lastly, "Counterproductive Work Behavior (CWB) refers to the employee behavior that goes against the legitimate interests of an organization. (Sackett et al., 2006). These behaviors can harm organizations or people in organizations including employees and clients, customers, or patients. It has been proposed that a person-by-environment interaction (the relationship between a person's psychological and physical capacities and the demands placed on those capacities by the person's social and physical environment) can be utilized to explain a variety of counterproductive behaviors, as explained by (Suzy and Spector, 1999).

Theories on the results: Rewards, if implemented correctly, have a positive effect on an organization's goals. According to The Business Journals, employee incentive programs can boost profitability, reward the best workers, support business values, improve teamwork and morale, and attract (as well as retain) top talent. (Mudrick, 2023). In a study by Genesis Associates, 85% of the workers surveyed felt more motivated to do their best when they had an incentive. In theory, this increased motivation could lead to stronger employee retention, loyalty and engagement. In addition, 73% described the office atmosphere as "good" or "very good" during an incentive period (Invigorate your company culture, 2021). A field study on incentive and its role in raising the level of employee performance in Riyadh, Saudi Arabia was conducted by a researcher, the results indicate that there was no satisfaction for financial and moral incentives, the financial incentives ranked first among other incentives (Angari, 1999). The most important problem faced by the employees is the lack of a clearing dependent and promotion incentive rules in the civil service (Angari 1999).

Another study investigates the effect of incentives on the level of performance in the textile industry in Iraq. He found out that there is a weak relationship between the incentives system and the level of performance and between the wages system and the level of performance. Also, there is a strong relationship between rewards and the level of financial performance, appropriate promotion system and level of performance (Al-Aydi, 2000). Another result showed that there are no incentives standards provided to the officers but the degree of their satisfaction is very high and incentives play a major role in raising the level of performance. This was based from the investigation about the role of financial and moral incentives in raising the performance level of employees from the viewpoint of public security officers participating in the Hajj season that was conducted (Alwabel, 2005).

3. Methods

To achieve a total understanding of the chosen research topic, this study was mainly drawn from the quantitative research design, specifically correlational quantitative research method. This research study was conducted in the City of San Pablo, Laguna and was participated by fifty-three (53) employees from selected private companies of the said locale. To determine the effects of incentives to the job performance of the employees, the researcher used an adopted Likert Scale survey questionnaire as the simplest way to measure the strength of opinion from the respondents that participated in the study. The survey questionnaire, together with the cover letter explaining the researcher's intent regarding the survey was converted into Google Form that was sent via email to the participants from the selected private companies. The research questionnaires were carefully collected and analysed.

To interpret the results of data collection from the Likert Scale survey questionnaire, weighted mean was used to determine the numerical data interpreted. Average weighted means were calculated from Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, and Strongly Disagree = 1.

$$\bar{x} = \frac{\sum fx}{N}$$

Where:

$\bar{x}$ = weighted mean

$\sum fx$ = sum of product of frequency and values

N = total number of respondents

The measures of each criterion were presented below.

Table 1: Weighted Mean for 5-Point Likert Scales

Weighted Mean	Result	Result Interpretation
4.20 – 5	Strongly Agree	Very Influential
3.40 – 4.19	Agree	Influential
2.60 – 3.39	Neutral	Neutral
1.80 – 2.59	Disagree	Uninfluential
1 – 1.79	Strongly Disagree	Very Uninfluential

4. Results and Discussion

The table below showed how influential monetary and non-monetary incentives could be to the job performance of the selected respondents.

Table 2: Impacts of Incentives given by Companies on the Job Performance of the Employees

Job Performance Dimension	Monetary		Non-Monetary	
	Mean	Result Interpretation	Mean	Result Interpretation
Task Performance	4.47	Very Influential	3.80	Influential
Contextual Performance – Interpersonal	4.32	Very Influential	3.92	Influential
Contextual Performance – Organizational	4.33	Very Influential	3.17	Neutral
Adaptive Performance	4.29	Very Influential	3.33	Neutral
Counterproductive Work Behavior	3.93	Influential	2.67	Neutral

As shown in Table 2, the average means from the monetary column of Task Performance (4.47) and Contextual Performance – Interpersonal (4.32) were rated *Very Influential* since they were greater than the non-monetary columns that were rated both *Influential* only. Both means of Contextual Performance – Organizational (4.33) and Adaptive Performance (4.29) were rated *Very Influential* as well from the monetary column and were greater than the means on the non-monetary column that were rated both *Neutral*. Finally, the mean of Counterproductive Work Behavior (3.93) in the monetary column was rated *Influential*, on the other hand, it's mean from the non-monetary column was rated *Neutral*. Since the weighted means in the monetary column were higher than the weighted means on the non-monetary column, these results implied that the job performance of employees based on their task, contextual, adaptive performance, and counterproductive work behavior were highly affected by the monetary incentives given to them.

Table 3: Significant difference on the impacts of incentives to the job performance when employees are grouped by preferred type of incentive.

Measure	Monetary		Non-monetary		p-value
	Mean	**Variance**	**Mean**	**Variance**	
Task Performance	4.47	0.23	3.80	0.12	0.023*
Contextual Performance – Interpersonal	4.32	0.28	3.92	0.65	0.222
Contextual Performance - Organizational	4.33	0.32	3.17	0.77	0.001*
Adaptive Performance	4.29	0.31	3.33	0.33	0.006*
Counterproductive Work Behavior	3.93	0.82	2.67	0.37	0.022*

**significant at 0.05*

The One-Way ANOVA was used to determine the numerical data interpreted in the Table 3. The findings revealed that there's a significant difference between the impacts of incentives to the employees' job performance when employees were grouped to their preferred type of incentive since all p-values were less than 0.05, except for the Contextual Performance – Interpersonal.

5. Conclusions

Based on the findings, the researcher concluded that giving incentives has a big impact on employees' performances in terms of task, contextual, adaptive performance, and counterproductive work behavior. It was also found out in this study that there's a significant difference on the job performances when the employees are grouped by their preferred type of incentives. Additionally, it was also concluded that employees from different companies in San Pablo City, Laguna preferred monetary type of incentives more compared to non-monetary.

Recommendations

Based on the results and conclusions gathered in the study, the researcher suggests that:

1. Giving incentives must be observed to maximize the full potential of employees in every organization; and
2. Giving monetary incentives to the employees is highly recommended, because the higher the financial incentives, the higher the motivation of each employee. And as a result, worker morale will be greater and companies will profit better.

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