

# Effects of Reward Systems on Performance of Construction Workers in Ghana

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## Abstract

One major problem facing organizational managers all over the world and in all sectors of every economy, be they private or public, is how to obtain optimum performance from employees. This is possible when an employee on individual and/or group level is highly recognized and rewarded for performance. It is therefore relevant to explore the effects of reward systems on the performance of construction workers in Ghana. This is what has been done and reported in this paper. Contractors with D1K1 classification, working or undertaking projects in the Northern part of Ghana and had elaborate and distinct system of rewarding employees were involved in the survey. A combination of interview and questionnaire administration was used to gather data. Respondents were chosen, based on their level of exposure to site administration of construction projects, and involvement] of the construction project. Through hypothesis testing, the Pearson chi-square results indicate a significant positive association between reward systems and performance with asymptotic significance level of less than 0.05. The findings indicate non-financial rewards were as important as financial rewards to improve the performance of employees. This paper recommends a multiple function and integration of framework which seeks to attract, retain and motivate employees to induce higher performance.

**Keywords:** financial rewards, non-financial rewards, performance, construction industry.

## 1.0 INTRODUCTION

Rewards are awards granted to employees on the basis of tasks performed, which meet or exceed the expectations initially established within an organization. They are also defined as praise granted in public by virtue of achievements widely approved in the context of organizational culture (Stajkovic and Luthanss, 1997). Kerr (1985) referred to Reward Systems as mechanisms that form an individual's behavior through an organization's strategy. These may be programs set up by a company to reward performance and motivate employees on individual and/or group levels. Organizations often use them as a tool to lure top employees within a competitive job market as well as to increase employee performance. These reward systems come in the form of financial and non-financial gains.

## 2.0 FINANCIAL REWARD SYSTEMS

Financial Reward systems usually involve an award of money in one way or the other to employees. The reward is tangible and extrinsic, because the motivation is not self-administered. It is usually offered by a supervisor or manager who holds the power to decide when such rewards are offered and in what amount. These financial rewards to a very large extent often motivate employees to go extra mile in their performance. Adebisi (1995) noted that workers are more likely to see monetary reward as the most important factor, inducing them to work. The different financial reward systems that may be employed include: Basic Pay; Lump Sum; Promotion; Bonus; Profit Sharing; Fringe benefit; Day Work; and hybrids of these among others.

### 2.1 Basic pay

Basic pay (often referred to as basic salary) is practiced by almost organizations in rewarding performance. It is the most widely significant and motivating reward that is received in return for performing a task or service. It is often a recurring reward that is paid periodically, that is weekly, monthly etc. Pay can also be a powerful demotivator, if employees are dissatisfied it as a reward system. In case employees are dissatisfied with this system, it is difficult for an organization to recruit and retain good employees (Pitts, 1995). In view of this, an organization seeking to develop and improve her services must study and adopt satisfactory basic pay system.

### 2.2 Promotion

Movement within an organization to a position in which responsibilities and presumably prestige are increased is ordinarily labeled as promotion. Promotion possibilities influence the behavior of employees in the organization and stimulate employees to greater abilities to move ahead (Prasad, 2001). Generally, higher positions are associated with increased basic pay, monetary allowances and other financial benefits. Promotion is used as a reward and an inducement to better work performance as well as other organizationally approved forms of

behaviors.

### **2.3 Bonus Schemes**

Bonus schemes are often provided in addition to basic pay. They are related to the achievement of agreed targets. When an employee's job performance exceeds the prescribed acceptable performance level for the organization, the related reward is called merit pay. It can be paid in the form of a bonus or as an addition to the basic pay. Bonuses are generally short-term motivation; they are perfectly legitimate means of rewarding outstanding performance. If performance targets are effectively set, organizations may use this scheme to improve workplace culture (such as punctuality, regularity at work), quality of task or services output and timely delivery of assignments or products (Jones, 1992).

### **2.4 Profit-sharing plan**

Profit-Sharing plan refers to various incentive plans often introduced by organizations that provide direct or indirect payments to employees that depend on company's profitability in addition to employee's regular salary and bonuses. This means that employees then become owners of the organization, sometimes known as "employees' stock ownership plan" (ESOP). According to Knapp (1998), employee ownership does, in fact, tend to increase workers' desire for control. This often serves as their key incentive for higher performance.

### **2.5 Fringe benefits**

Fringe benefit is a collection of various benefits provided by an employer to impact employee performance, which are exempted from taxation as long as certain conditions are met. Fringe benefits may include health insurance, life coverage, education reimbursement, childcare and personal use of company owned vehicle among others (Booth and Frank, 1999). Though these may not be regarded as extra money paid to the employee, the employee's expenses have been reduced. Consequently he has an improved purchasing power. Though the monetary value of these fringe benefits may not be considerably high, the effect on employee retention may be enormous.

## **3.0 NON- FINANCIAL REWARD SYSTEMS**

A Non-financial reward is a form of reward system that does not transfer money to the employee, but motivates him to perform efficiently. This reward system is also known as intangible reward system. Though this system does not involve payment to the employee, the organization may incur cost in establishing and running such a system. Relying on monetary reward as the sole motivator of employees could be misguided. It must be reinforced by non-financial motivators and recognition schemes. When motivation is achieved by non-financial means, it can have a more powerful and longer-lasting effect on employees. Non-financial rewards include recognition, verbal praise in front of other employees, responsibility, good working conditions, participation in the decision making, good relations with colleagues, interesting work, expression of thanks, patting in the back, personal growth and achievement (Armstrong, 1999).

### **3.1 Recognition**

Employees need to know not only how well they have achieved their objectives or done their work but also that their achievements are appreciated. Maslow (1954) identifies self-esteem and prestige as recognition in hierarchy of needs. It also makes them earn respect of other employees in the company. Another way of recognition can be financial rewards, especially achievement bonuses awarded immediately after an event as explained under financial rewards.

### **3.2 Verbal praise**

Verbal Praise is a way of admiring someone or expressing an approval. Every employee likes to receive a little verbal praise from their employers from time to time in front of their co-workers. This system of reward is closely related to recognition. It provides confirmation that the employee is doing a good job and is recognized as a valuable asset to the team. However, giving too much verbal praise to an employee can also lead swollen headedness that may lead to pride and reduction in performance (Gibbons, 1998).

### **3.3 Responsibilities**

A "responsibility" is a duty or obligation to satisfactorily perform or complete a task assigned by someone. Employees can be motivated by being given responsibility for their work. This is in line with the concept of intrinsic motivation. Lawler (1969) identifies three characteristics as being required in a job, if employees are to be intrinsically motivated. These are feedback for improved performance, encouragement to use own abilities and self-control over organizational goals (goals set with their input). This means that responsibility in a job is measured by the amount of authority, control and accountability someone has over his performance in achieving an organizational goal. The philosophy behind motivation through responsibility was expressed in McGregor's

(1960) Theory Y: ‘The average human being learns, under proper conditions, not only to accept but also to seek responsibility’.

### **3.4 Large office**

Provision of larger office or working space as a reward for exceptional performance could be motivating to employees. It signals elevation of employees’ status within the organization. A large working space enhances convenience and work comfortability. The office may have recessed luminaries which provide the required light without needing re-positioning should the layout change. When the worker gets these things, it helps him or her to work freely. Improved ventilation may also help an employee improve performance (Worldatwork, 2006).

### **3.5 Participation in decision making and Influence**

Participation in decision making is a social science that refers to different mechanisms for employees to express opinions and ideally exert influence regarding political, economic, management or other social decisions. It is the extent to which employees are allowed to share or participate in organizational decision making for the realization of its goals. It can take place along any realm of human social and economic activities. According to Cotton et al (1988), the format of “participation in decision making” could be formal or informal. The prestige of “participating in decision making” constitute a reward that has the power to greatly influence future performance.

### **3.6 Personal growth**

An opportunity for personal growth as a way of incentive was stressed by Alderfer (1972). He observes that “growth needs” impel people to make creative or productive effort that ultimately benefits the organization. The use of “personal growth needs” as a reward system depends on the extent to which employees identify opportunities within the organization to achieve personal growth and full potential. Many employees now regard access to training as a key element in the overall reward package. The availability of learning opportunities, the selection of individuals for high-prestige training courses and programmes, and the emphasis placed by the organization on the acquisition of new skills as well as the enhancement of existing ones, can all act as powerful motivators.

### **3.7 Good relation**

The success and growth of an organization largely depends on the human resource in the establishment. It has a very wide-ranging function that includes recruitment and motivation of employees. It is important that managers in an organization manage the human resource in order to achieve the organizational goals. In construction, a good relationship between an employer and employee induces performance and contributes significantly to organizational productivity (Leedy and Remenyi, 1989).

## **4.0 MATERIALS AND METHODS**

This study is aimed at determine the effects of various reward systems on the performance of construction workers in Ghana. Using a combination of closed and open-ended questionnaire, this paper explores the connection between rewards and performance in Kumasi as a case in Ghana. The questionnaire administration was undertaken between 7<sup>th</sup> January, 2014 and 19<sup>th</sup> march, 2014 to D1K1 classes of Contractors who were undertaken projects in Kumasi. The study was both qualitative and quantitative approach. A total of 62 targeted out of which 45 responded for the study. Questionnaire responses were analyzed using Statistical Package for Social Science version 16.0 and computed as tables and graphs of the responses. Ordinal scale was used to measure the respondents’ attitude towards motivational statement and items ranked in order of preference.

## **5.0 RESULTS AND DISCUSSIONS**

### **5.1 Financial Rewards for Construction Workers**

Financial reward is one of the interventions that can induce the performance of employees. It can be seen from table 1 that, the first two forms of financial rewards; bonus scheme and attractive basic pay were weighted above 60%. This means that these two financial rewards are often used in the organization to affect performance. The next four rewards; free transport, lump sum payment, vehicle/fuel allowance and refund of medical bill weighted between 41% and 60%. This means that they are moderately used. Accommodation, profit sharing, promotion and pay for time not work were the last four ranking with weights from 21% to 30%. This is clear indication that these financial rewards are rarely used in the organisation. This partly may explain the fact that accommodation, profit sharing, promotion and pay for time not work is capital intensive. However, according to Latham and Lock (1979), “money is obviously the primary incentive, since without it few, if any, employees would come to work”. Hence, the researcher agrees with the research by Armstrong (1999), that any employee who is rewarded for excellent performance is more productive and willing to go the extra mile.

Table 1: Types of Financial Reward Systems

<i>Financial Reward Systems</i>	N	Sum	Mean	Weight	Ranking
Bonus scheme	45	154	3.42	68%	1
Attractive basic pay	45	140	3.11	62%	2
Free transport	45	126	2.8	56%	3
Lump sum payment	45	111	2.47	49%	4
Vehicle/fuel allowance	45	105	2.33	47%	5
Refund of medical bills	45	104	2.31	46%	6
Accommodation/rent subsidy	45	68	1.51	30%	7
Profit sharing	45	68	1.51	30%	8
Promotion	43	63	1.47	29%	9
Pay for time not work	45	55	1.22	24%	10

### 5.2 Non-Financial Rewards for Construction Workers

The non-financial reward systems used in the organization are shown on table 2. Recognition and expression of thanks are weighted 71% and 72% respectively. This suggests that these two non-financial rewards are often used in the organization. The next three; responsibility, public or verbal praise and interesting work weighted between 60% and 66%. This shows that they are moderately used in the organization. The other rewards such as achievement and flexible schedule weighted 58% and 56% respectively and largely suggest that they are also used moderately. Personal growth, good working relation and participation in the decision making are the last three rewards weighted between 10% and 20%. It can be concluded from the table 2 that non-financial rewards are mostly recognized by employers in the construction industry than the financial rewards. In line with that, Maslow's (1954), Herzberg two factor theories and McGregor's (1960) theory Y. Maslow (1954) identifies recognition as one of the top hierarchy of needs. He emphasized that recognition can provide a positive and immediate feedback. According to Herzberg on the other hand, the real intrinsic (non-financial) rewards have a more long-term motivating effect on the employees. The philosophy behind rewards through responsibility that expressed in McGregor's (1960) theory Y is that "the average human being learns, under proper conditions, not only to accept but also to seek responsibility". Once an employee seeks responsibility, there is a tendency and ulterior motive to go the extra mile to achieve. The researcher then agrees with the view echoes by Khon(1998), that "monetary rewards cannot always induce performance but must be reinforced with non-monetary rewards. When the responses of supervisors and operatives were analyzed separately, the operatives indicated that even though, the industry widely used non-financial rewards, they are specifically denied enjoying certain rewards such as personal growth, good working relation and participation in decision taking which has a more lasting effect on performance.

Table 2: Types of Non-Financial Rewards

<i>Non-financial Rewards</i>	N	Sum	Mean	Weight	Ranking
Recognition	45	162	3.6	72%	1
Expression of thanks	45	160	3.56	71%	2
Responsibility	45	151	3.36	67%	3
public/verbal praise	45	147	3.27	65%	4
Interesting work	45	138	3.07	61%	5
Achievement	45	131	2.91	58%	6
Flexible schedule	45	126	2.8	56%	7
Personal growth	45	46	1.02	20%	8
Good working relation	45	33	0.73	15%	9
Participation in decision taking	45	23	0.51	10%	10

### 5.3 Effects of Financial Reward Systems on Workers' Performance

Measuring the effects of reward systems, respondents were asked to rank financial rewards in accordance with their level effect on their performance in the organization using the scale 1= to boost performance poorly to 5= too boost performance very highly. Promotion, attractive pay and bonuses weighted 96%, 94% and 93% respectively showing that rewards boost performance very highly in the organization. The seven other rewards in the table have weighted between 68% and 88%. This means that these interventions highly boost performance. The asymptotic significances of the variables are all less than 0.05 levels of significance indicating that there are differences in the ranking. Respondents unanimously showed there is significant positive effect of financial reward systems on performance. The results give massive evidence that employees prefer to be rewarded for good performance especially with financial rewards. It is against this backdrop that the researcher agrees with the study by Bouef (1997) that "reward people for a right behaviour and you will get the right results, fail to reward the right behaviour and you are likely to get the wrong results".

Table 3: Effects of Financial Reward Systems

<i>Reward Systems</i>	N	Sum	Mean	Weight	Ranking	Asymp. Sig
Promotion	45	217	4.82	96%	1	0.010
Attractive basic pay	45	211	4.69	94%	2	0.011
Bonus scheme	45	210	4.67	93%	3	0.012
Accommodation/rent subsidy	45	199	4.42	88%	4	0.020
Vehicle/fuel allowance	45	183	4.07	81%	5	0.022
Free transport	45	182	4.04	81%	6	0.038
Profit sharing	45	177	3.93	79%	7	0.040
Lump sum payment	45	175	3.89	78%	8	0.040
Refund of medical bills	45	173	3.84	77%	9	0.041
Pay for time not work	45	153	3.4	68%	10	0.043

### 5.4 Effects of Non-Financial Reward Systems on Workers' Performance

The effects of non-financial reward system on employees' performance are clearly shown in table 4 ranging from 69% to 85%. It can be concluded from the discussion that, comparatively, financial reward systems have higher effect than non-financial reward systems in the opinion of the employees even though the differences are such that the non-financial reward systems cannot be over-emphasized. It is therefore an imperative for employers to augment financial rewards with non-financial rewards for effective performance. According to Dewhurst (2010), "When motivation is achieved by non-financial means, it can have a more powerful and longer-lasting effect on people"

Table 4: Effects of Non-Financial Reward System on Performance of Workers

<i>Non-Financial Reward System</i>	N	Sum	Mean	Weight	Ranking	Asymp. Sig
Good working relation	45	192	4.27	85%	1	0.015
Participation in decision taking	45	184	4.09	82%	2	0.005
Responsibility	45	183	4.07	81%	3	0.005
Recognition	45	181	4.02	80%	4	0.017
Personal growth	45	179	3.98	80%	5	0.002
Interesting work	45	179	3.98	80%	6	0.002
public/verbal praise	45	178	3.96	79%	7	0.038
Achievement	45	172	3.82	76%	8	0.014
Expression of thanks	45	157	3.49	70%	9	0.023
Flexible schedule	40	138	3.45	69%	10	0.030

### 5.5 Significance of Reward Systems

Respondents were asked on their level of agreement on how the reward systems of the organization significantly affect their performance. From figure 1, 96% of the respondents strongly agree that reward systems significantly affect them to increase their performance. Only 4% agree and even they were also on the positive side of the agreement. It can be concluded that, reward systems significantly affect increase in performance. It was also observed that, respondents strongly agreed that lack of reward systems significantly affects their performance on site. In all, reward systems significantly affect work performance.

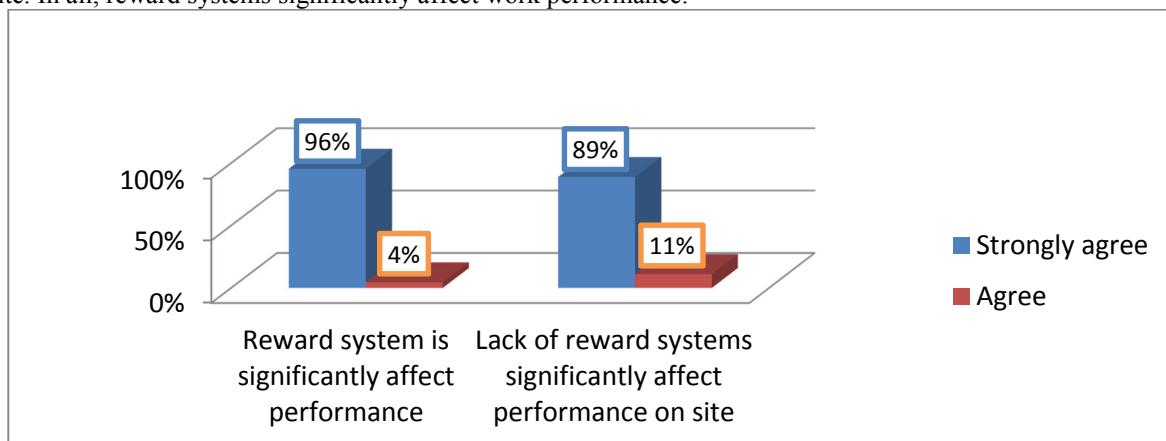
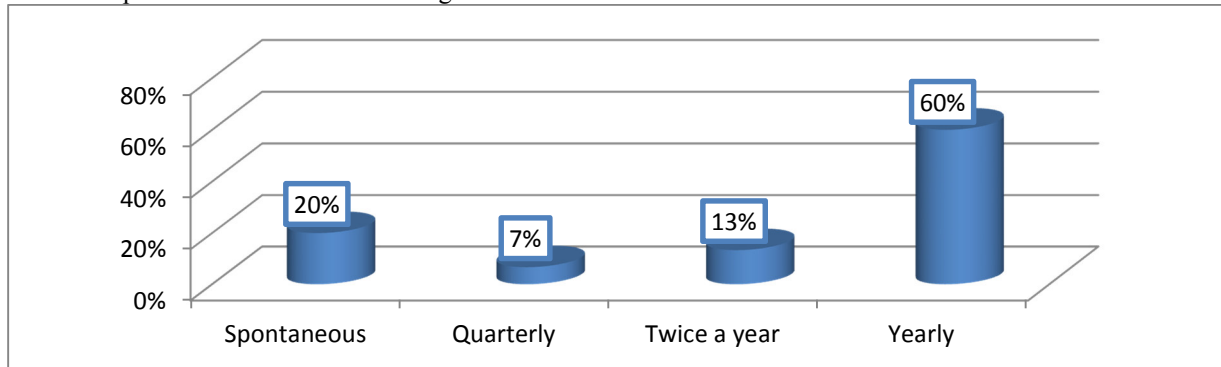


Figure 1: Significance of Reward Systems

### 5.6 Workers' Preference for Rewards by Management

Figure 2 shows how often respondents prefer management of the organization to reward the performance of employee. 60% of the respondents indicated yearly, 20% indicated spontaneously, 13% twice a year and 7% quarterly. The researcher can conclude from the chart that a particular period within which rewards are given is of paramount importance to the employees. During the interview, it was also established that the effectiveness of reward systems was that rewards should be given with certain frequency such as annual salary review. Understanding the frequency of the rewards give a measure of trust to the system. This assertion is buttressed by Thompson and Rampton (2000) that “when reward is carried out often and regularly, employees’ tend to easily relate it to performance than when managers wait to reward them later on.

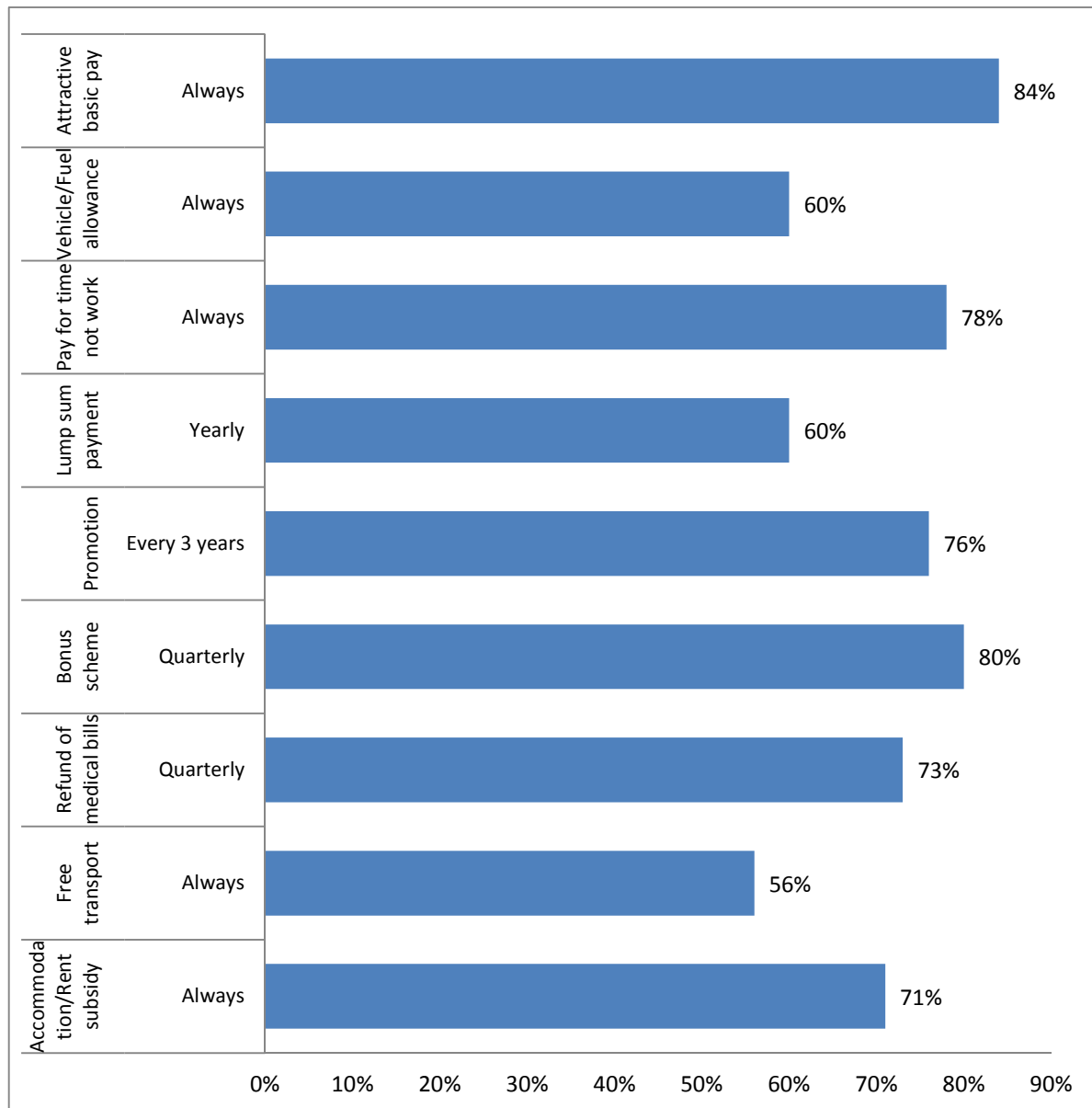


**Figure 2: Workers' Preference for Rewards by Management**

### 5.7 Conditions for Financial Rewards

Conditions under which financial rewards should be used or become applicable are shown in the figure 3. From the figure, respondents prefer six of the reward systems such as pay for time not work, accommodation/rent allowance, attractive basic pay, free transport, vehicle/fuel allowance and lump sum to be awarded always. This means that, the institution of attractive pay and bonus should be a concern to the employer and of paramount important to the employee. Refund of medical and Bonuses were indicated as quarterly whereas promotion was indicated as every 3 years. It is observed that there is also a significant increase in promotion, accommodation, pay for time not work and re-fund of medical bill. Employers should therefore pay more attention to the financial rewards for high performance.

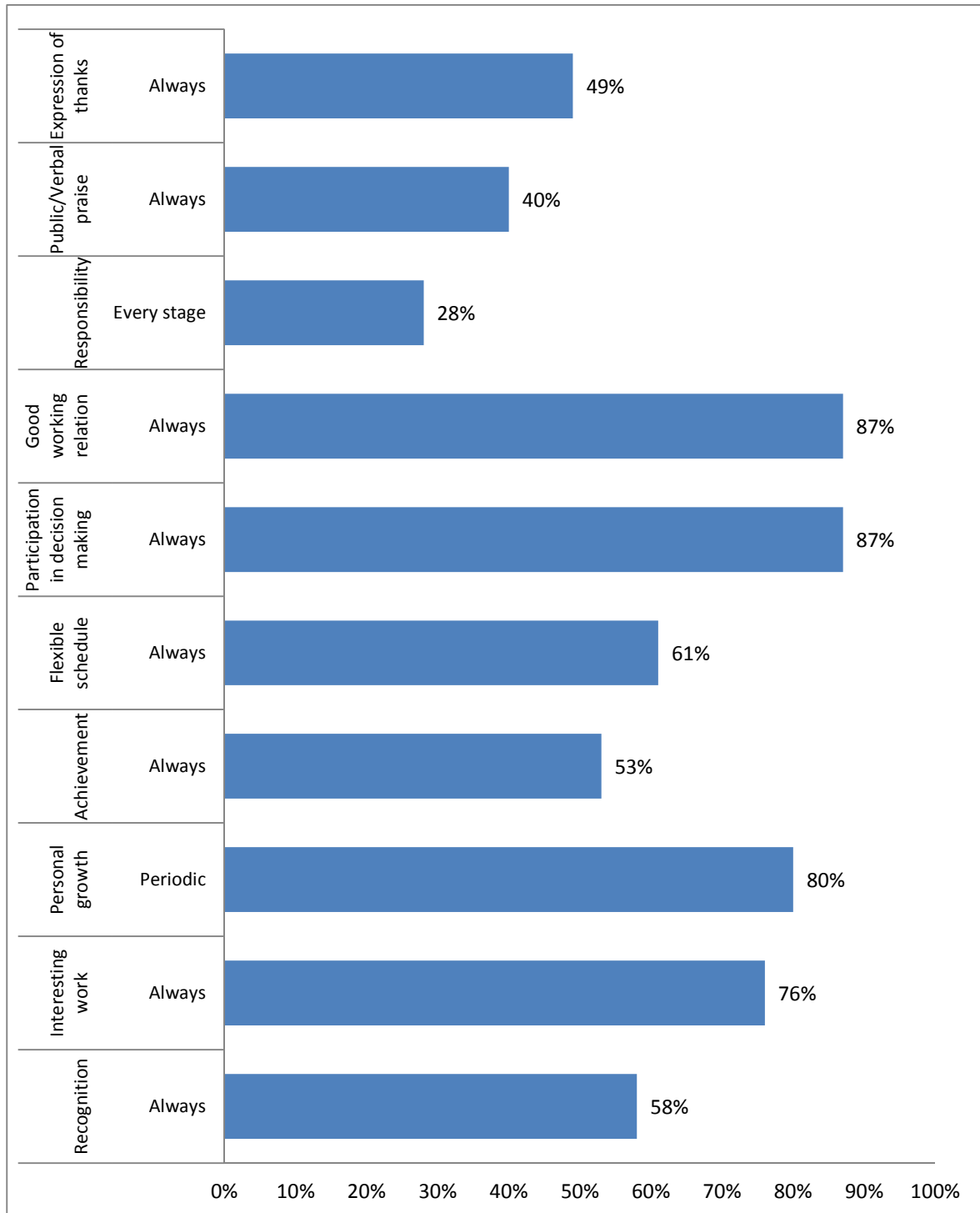




**Figure 3: Conditions for the application of financial rewards**

### 5.8 Conditions for Non-Financial Rewards

On the non-financial reward systems, always, periodically and at every stage are the main conditions respondents want the organization to apply reward systems. From figure 4, good working relation, interesting work, flexible schedule, recognition, achievement, expression of thanks and public praise are to be given always whiles participation in the decision making, personal growth and responsibility are to be given periodically. It can be seen from the table 4 that, participation in the decision making, good working relation and personal growth are so significant that employers should not only focus on the monetary rewards rather non-monetary rewards such as these interventions can be used to augment the monetary rewards. This is an indication that when employees experience personal growth, good working relation and has the opportunity to participate in the decision making there is a tendency of high performance.



**Figure 4: Conditions for the application of Non-financial rewards**

### 6.0 Conclusions

Cash award programmes have a positive effect on employees' morale as well as non-financial rewards. Although, construction industry recognizes the significant role financial and non-financial rewards play in the organization, not much is done for the operatives. The degree of reward systems is significant and it is hope that Managers in the industry, by exploring the findings of the study, will glean ideas such as pension scheme, security or other welfare policies to elicit high performance to increase productivity.

The research highlighted that policies on reward packages be outlined in a brochure for employees at the time of employment and that a multiple function and integration of framework which seeks to attract, retain and motivate employees to induce higher performance. So long as there is a strong correlation between performance



and employees' reward systems, employers must institute the realistic type of reward systems to elicit a culture of high performance and customer service.

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