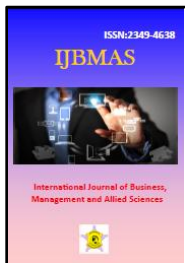


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**Effect of Organizational Rewards on Job Engagement and Organizational
Engagement**

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ABSTRACT

This study aimed to investigate the influence of organizational rewards on employee job engagement and organizational engagement. It was also aimed to assess the role of gender, age, education, and tenure in explaining the relationship between rewards and engagement. It was hypothesized that organizational rewards significantly influence job and organizational engagement. Data were collected from 178 employees working for 10 small and medium information technology companies located in Hyderabad, India. Chi-square test results revealed that there is a significant difference in the opinions of young and middle aged employees with regard to rewards paid. Job engagement and rewards were influenced by education qualification of employees. Partial correlation analyses revealed that age had minimal impact between rewards and job engagement; education had significant moderate influence between rewards and job engagement. Tenure had no statistical significant role in explaining the relationship between independent and dependent variables. Hypotheses were tested using simple linear regression analysis. The results indicated that rewards significantly influenced job engagement and organizational engagement. Importantly, rewards had more influence on organizational engagement. This study extends the understanding of job and organizational engagement and the influence of extrinsic rewards in fostering employee engagement. This research benefits both academicians and practitioners by providing empirical evidence on the impact of extrinsic rewards on engagement.

Keywords: Extrinsic rewards, employee motivation, social exchange theory, partial correlation, employee engagement

I. Introduction

Employee engagement has become an issue of enormous interest in the organizational literature in recent years. It is often acknowledged that engagement is predictive of employee outcomes, success, and financial performance of organizations (Macey and Schneider 2008; Saks, 2006). Extant research advises that employee engagement drives a number of positive individual and organizational outcomes (Saks and Gruman, 2014), job performance (Rich et al. 2010), job satisfaction (Saks, 2006), and helping organizations reach their potential through business growth and profitability (Macey and Schneider 2008; Saks, 2006). At

the same time, however, survey research reveals low levels of engagement in many countries (Gallup, 2013; Robertson and Cooper, 2010). Findings from a recent Gallup survey suggested that at present, only 13 percent of employees around the globe are engaged on their job and that disengaged workers continue to outnumber their engaged counterparts at a rate of nearly 2 to 1 (Gallup, 2013). In the US, for instance, 52 percent of employees in the workforce are reportedly disengaged and 18 percent are actively disengaged in their jobs. Similarly, 68 percent of Chinese workers are reported to be disengaged in their work (Gallup, 2013). Considering the low levels of engagement among employees, it is clear that engagement is important and that more research is needed to improve our understanding of the major issues influencing employee engagement

As organizations worry about the terrible low percentage of employees who feel engaged in their work, academicians are trying to understand what causes surge in engagement. In spite of what we have learned so far about employee engagement, there is still a clarion call for more work to be done (Christian et al. 2011; Saks and Gruman, 2014). An important area that was not much investigated was the possible antecedents of employee engagement (Mahon, Taylor, & Boyatzis, 2014). Macey and Schneider (2008) pointed that "potential antecedents and consequences of engagement. . . have not been rigorously conceptualized, much less studied" (p.304).

II. Theoretical Background and Framework

Engagement is a multifaceted and multidimensional topic that affects various stakeholders and organizational outcomes. In the present economic environment, it is of greatest importance for organizations to find ways to motivate employees and enhance their levels of engagement. The Hay Group (2015) views engagement as an exchange relationship. In exchange for working longer hours, putting extra effort and hard work, employees expect to be appreciated and valued. Employees wish to see a direct relation between what they put into the organization and what they receive from it.

Kahn (1990, p.700) defined personal engagement as "Simultaneous employment and expression of a person's 'preferred self' in task behaviors and that promote connections to work and to other, personal presence, and active full role performances."

Schaufeli et al. (2002, p.74) defined work engagement as "A positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption."

Saks (2006, p.604) defined organizational engagement as "The extent to which an individual is psychologically present in a particular organizational role."

Shuck and Wollar (2010, p.103) defined employee engagement as "An individual employee's cognitive, emotional, and behavioral state directed toward desired organizational outcomes."

Rich, Lepine, and Crawford (2010, p.619) defined job engagement as "Multi-dimensional motivational concept reflecting the simultaneous investment of an individual's physical, cognitive, and emotional energy in active, full work performance."

Barrick et al. (2015, p.8) defined collective organizational engagement as "Shared perceptions of organizational members that members of the organization are, as a whole, physically, cognitively, and emotionally invested in their work."

Shuck et al. (2017) defined employee engagement as a positive, active, work-related psychological state operationalized by the maintenance, intensity, and direction of cognitive, emotional, and behavioral energy.

"Scholars have used the terms organizational engagement, job engagement, and work engagement, as well as alternative types of engagement frameworks such as collective organizational engagement to contextualize an emerging understanding of what engagement is, where it should be focused, and how it should be applied. Such terms have been used interchangeably with employee engagement (both intentionally and unintentionally), and while these terms sound similar, their application has embedded subtle and important nuances that differentiate each term in both theory and practice. While one perspective may be more widely used than the others may, they are not the same and should not be used interchangeably. Work engagement is not employee engagement, is not job engagement, is not

organizational engagement, and scholars should stop treating them as such" (Shuck et al. 2017).

III. Employee Engagement Antecedents

Saks (2006) argues that a stronger theoretical rationale for explaining employee engagement can be found in social exchange theory (SET). Social exchange theory reasons that obligations are created through a series of interactions between parties who are in a state of reciprocal interdependence. A basic principle of social exchange theory is that relationships develop over time into trusting, loyal, and mutual commitments as long as the parties accept by certain "rules" of exchange (Cropanzano and Mitchell, 2005). Terms of exchange normally involve mutuality or repayment terms such that the actions of one party lead to a response or actions by the other party. This is consistent with Robinson et al. (2004) description of engagement as a two-way relationship between the employer and employee. The social exchange theory provides a theoretical foundation to elucidate why employees choose to become more or less engaged in their work and organization. When employees receive resources from their organization, they feel indebted to repay the organization with greater levels of engagement. Furthermore, when organization fails to offer resources, employees are more likely to withdraw and disengage themselves from their duties.

Wollard and Shuck (2011, p. 433) after an extensive review of existing literature on employee engagement classified the antecedents of employee engagement in two levels: (a) individual antecedents and (b) organizational antecedents. Individual antecedents were defined as constructs, strategies, and conditions that were applied directly to or by individual employees and that were believed to be foundational to the development of employee engagement. For example, involvement in meaningful work, link individual and organizational goals, perceived organizational support, vigor, and work life balance. Organizational-level antecedents were defined as constructs, strategies, and conditions that were applied across an organization as foundational to the development of employee engagement and the structural or systematic level. For example, rewards, supportive organizational culture, job fit, task challenge, and manager expectations. When it comes to employee engagement, antecedents that drive the development of engagement at the organizational level revolve around basic human needs.

Extant literature has suggested that hygiene factors extrinsic to the employee drive potential conditions for engagement at the organizational level (Schaufeli, Taris, & Van Rhenen, 2008; Shuck, Rocco, et al. 2011). Hygiene factors are explained as fair pay, reasonable working conditions, and a reasonable degree of security (Herzberg, 1959, 1968). Rewards such as pay-for-performance and monetary incentives have been explored in the literature and linked to fair pay. When hygiene factors are not met, engagement is not likely to develop. Some evidence does suggest that poorly appropriated monetary structures can undermine organizational engagement efforts (Demerouti & Cropanzano, 2010; Sparrow & Balain, 2010).

IV. Literature Review

Various studies suggested that the existence of higher levels of employee engagement considerably decreases turnover intention (Saks, 2006; Shuck, Reio, & Rocco, 2011). Furthermore, empirical evidence suggested that the existence of higher levels of employee engagement is also believed to augment job performance, task performance, employee productivity, affective commitment, and customer service (Christian et al. 2011; Fleming & Asplund, 2007; Rich, LePine, & Crawford, 2010).

V. Conceptual Model and Research Hypotheses

This research stems from the cue suggested by Macey and Schneider (2008) who said that "potential antecedents and consequences of engagement . . . have not been rigorously conceptualized, much less studied" (p.304). In addition, prevalent literature on extrinsic rewards reported mixed results (Demerouti & Cropanzano, 2010; Schaufeli, Taris, & Van Rhenen, 2008). Furthermore, as Sucks et al. (2017) mentioned, in this study the researchers considered employee engagement as multidimensional construct and related organizational rewards to both job and organizational engagement. This study intended to examine the influence of demographic variables in explaining the employee job and organizational engagement. This research examined the relationships among organizational rewards (extrinsic), job engagement, organizational engagement. The researchers believe that this study can contribute to the literature on engagement and that its findings will offer important implications for researchers and practitioners.

In this study it is hypothesized that

H1: Organizational rewards influence employee job engagement

H2: Organizational rewards influence employee organizational engagement

H3: Demographic variables (age, educational qualification, and work experience) influence employee job and organizational engagement

VI. Methods

Subjects

Participants were employees of small and medium sized Information Technology companies located in Hyderabad, India. Questionnaires were distributed to 300 employees working in 10 different companies. A total of 197 employees answered the questionnaire, corresponding to a response rate of 66 percent. There were 19 questionnaires with more than 50 percent missing data. These were excluded from the final analysis. The final usable responses were 178, resulting into a response rate of 59.3 percent. Fifty five percent were male employees and 45 percent were female. Fifty one percent of the participants were graduates and 49 percent were postgraduates. Average age was 27.6 years old and the average work experience was 3.5 years.

Measures

Job Engagement. Roberts and Davenport (2002) defined job engagement as a person's enthusiasm and involvement in his or her job. People who are highly engaged in their jobs identify personally with the job and are motivated by the work itself. They tend to work harder and more productively than others do and are more likely to produce the results their customers and organizations want. All the participants were asked to rate their levels of agreement on job engagement. A five-item five-point job engagement scale developed by Saks (2006) was used. The scale items were anchored on 5-point scale that ranged between 1 (strongly disagree) and 5 (strongly agree). The scale had statistically significant reliability values ($\alpha=0.92$, $M=3.60$, $\sigma=1.14$, $r=0.69$, $F(177,4) = 3.29$, $\rho = 0.01$).

Organizational Engagement. Saks (2006) defined organizational engagement as employees performing role as a member of the organization. In other words, organizational engagement is an employee's attitude and attachment towards the organization (Saks, 2006). All the participants were asked to rate their levels of agreement on organizational engagement. A five-item five-point organizational engagement scale developed by Saks (2006) was used. The scale items were anchored on 5-point scale that ranged between 1 (strongly disagree) and 5 (strongly agree). The scale had statistically significant reliability values ($\alpha=0.89$, $M=3.21$, $\sigma=1.23$, $r=0.63$, $F(177,4) = 2.46$, $\rho = 0.04$).

Extrinsic Rewards. Extrinsic rewards are tangible and visible rewards given to employees for achieving something at workplace. They are usually in terms of money or money equivalent such as salary hike, bonus, fringe benefits and stock options. In order to measure participants' agreement or disagreement with rewards paid to them, the researchers used five-item five-point scale recommended by Saks (2006). The scale items were anchored on 5-point scale that ranged between 1 (strongly disagree) and 5 (strongly agree). The scale had statistically significant reliability values ($\alpha=0.87$, $M=3.46$, $\sigma=1.11$, $r=0.58$, $F(177,4) = 2.68$, $\rho = 0.03$).

VII. Results

To analyze whether there is any significant differences on the study variables across gender, age, educational qualification, and work experience chi-square test was conducted. Results revealed that there is no statistically significant relationship between gender and rewards ($\chi^2(4) = 0.89$, $\rho = 0.93$), gender and job engagement ($\chi^2(4) = 2.49$, $\rho = 0.65$), gender and organizational engagement ($\chi^2(4) = 1.50$, $\rho = 0.83$). The study found significant association between age and rewards ($\chi^2(4) = 9.72$, $\rho = 0.04$), age and job engagement ($\chi^2(4) = 10.43$, $\rho = 0.03$). In contrast, there was no significant relationship between age and organizational engagement ($\chi^2(4) = 5.18$, $\rho = 0.27$). Education qualification of participants was significantly related to job engagement ($\chi^2(4) = 19.25$, $\rho = 0.00$) and no significant association was found between education and rewards ($\chi^2(4) = 6.89$, $\rho = 0.14$), education and organizational engagement ($\chi^2(4) = 7.66$, $\rho = 0.10$). Results indicated that there is no statistically significant relationship between tenure and rewards ($\chi^2(4) = 1.04$, $\rho = 0.90$), tenure and job engagement ($\chi^2(4) = 3.76$, $\rho = 0.44$), tenure and organizational engagement ($\chi^2(4) = 4.89$, $\rho = 0.29$).

The results of correlation analysis shows that there is a significant positive association between rewards and job engagement ($r = 0.32, p < 0.01$), rewards and organizational engagement ($r = 0.46, p < 0.01$), and job engagement and organizational engagement ($r = 0.48, p < 0.01$). From these results, it is evident that multicollinearity does not prevail, because the correlation values of criterion variables is less than 0.90.

Table 1: Mean, Standard Deviation, and Correlation among study variables

| Variable | Mean | SD | 1 | 2 | 3 |
|-----------------------------|------|------|--------|--------|---|
| 1 Rewards | 3.46 | 1.11 | | | |
| 2 Job Engagement | 3.60 | 1.14 | .318** | | |
| 3 Organizational Engagement | 3.21 | 1.23 | .458** | .480** | |

** . Correlation is significant at the 0.01 level (2-tailed).

Levene's test of Homogeneity of variances was calculated to test the similarity of study variables among sample companies. Depending on the results of Levene's test we failed to reject the null hypothesis and concluded that equal variance is assumed in rewards ($F(9,168) = 1.49, p = 0.16$), job engagement ($F(9,168) = 1.67, p = 0.10$), and organizational ($F(9,168) = 0.57, p = 0.82$).

An ANOVA test was run to compute the mean differences among the sample companies. Based on the results, we concluded that there was no statistically significant difference in the rewards paid to the employees in sampled small and medium IT companies ($F(9,168) = 1.86, p = 0.06$). However, there was statistically significant difference in dependent variables among the companies as determined by the ANOVA test result (job engagement ($F(9,168) = 2.21, p = 0.02$) and organizational engagement ($F(9,168) = 2.28, p = 0.02$)).

Next, a partial correlation was run to determine the relationship between rewards and job engagement while controlling for age. The result of the partial correlation indicated that there was minimal partial correlation between rewards and job engagement while controlling for age, which was statistically significant ($r(175) = 0.315, N = 178, p = 0.00$). However, zero-order correlations showed that there was a statistically significant correlation between rewards and job engagement ($r(175) = 0.318, N = 178, p = 0.00$), indicating that age had no influence in controlling for the relationship between rewards and job engagement. When a partial correlation was run to measure the relationship between rewards and job engagement while controlling for education. The result indicated that there was moderate partial correlation between rewards and job engagement while controlling for education, which was statistically significant ($r(175) = 0.308, N = 178, p = 0.00$). The zero-order correlation showed that there was a statistically significant, moderated correlation between rewards and job engagement ($r(175) = 0.318, N = 178, p = 0.00$), indicating that education had moderate influence in controlling for the relationship between rewards and job engagement.

Regression analysis was used to test hypothesis 1 and hypothesis 2. Hypothesis 1 posited that rewards significantly predict job engagement. The results of the regression indicated that the predictor variable (rewards) explained 10% of variance ($R^2 = 0.10, F(1,176) = 19.82, p < 0.01, \beta = 0.33, t = 4.45, p = 0.00$). Hypothesis 2 hypothesized that rewards significantly predict organizational engagement. Simple linear regression was carried out to investigate this relationship. The results showed that there was a strong positive linear relationship between the two, which was confirmed with a Pearson's correlation coefficient of 0.46. Regression results showed a significant relationship between rewards and organizational engagement ($R^2 = 0.21, F(1,176) = 46.62, p < 0.01, \beta = 0.51, t = 6.82, p = 0.00$).

VIII. Discussion

This research extends the extant studies on employee engagement by examining the impact of extrinsic rewards on job engagement and organizational engagement. The study examined the role of gender, age, education, and tenure in explaining relationship between extrinsic rewards and job and organizational engagement. We examined the multidimensional model of engagement as against one-dimensional. This approach is appropriate and helpful to understand the multifaceted view of engagement. Shuck et al. (2017) argued that work engagement is not employee engagement, is not job engagement, is not

organizational engagement, and scholars should stop treating them as such. Our results supported this argument.

As hypothesized in the study, extrinsic rewards have significant positive influence on job and organizational engagement. However, the results reveal that the impact of extrinsic organizational rewards is not similar on job engagement and organizational engagement. The results indicate that extrinsic rewards explained more variance in organizational engagement than in job engagement. Results of our study support the finding of Saks (2006). Saks (2006) reported that the relationship between organizational engagement and rewards are stronger than those between job engagement and rewards. Extrinsic rewards acted as hygiene factor, their presence was not a motivator in explaining job engagement. To foster the job engagement among employees' organizations should clearly explain what is expected from the employees, and should provide sufficient resources and training. Furthermore, organizations should hear the voice of employees and provide them opportunities to learn and excel personally and professionally. Managers need to make the job challenging and set inspirational goals. When employees achieve certain goals, their efforts need to be recognized and appreciated.

This study identified a positive relationship between age and rewards. Employees who are younger are satisfied with the rewards that they are paid. However, middle-aged employees are not convinced with the rewards that they are paid. The reasons may be younger workers have less experience and are more future orientated. They may be interested in knowledge acquisition and career advancement. They perceived that the rewards paid to them are suitable. In contrast, older workers may have already gained experienced and knowledge and may be expecting more recognition. Extrinsic rewards may not be much exciting for them.

The results of this research found a significant positive association between education and job engagement. Employees with higher qualification reported low job engagement. To address this issue, organizations and managers need to understand the expectations of highly qualified employees and utilize their knowledge and skills more effectively.

IX. Conclusion

The purpose of this research was to examine the impact of organizational rewards, more specifically extrinsic rewards on employee job engagement and organizational engagement. From the analyses of the data, it was found that extrinsic rewards had significant impact on job engagement and organizational engagement. The findings of the study revealed that extrinsic rewards had more impact on organizational engagement than on job engagement. It was also found that younger employees were more satisfied with rewards than the older employees. In addition, employees with higher educational qualification reported low job engagement. In conclusion, findings of this study support the Saks (2006) multidimensional model of employee engagement, and the argument made by Shuck et al. (2017) that different engagements like, job engagement, work engagement, organizational engagement, employee engagement, need to be studied differently. This is required because the antecedents are not similar for different types of engagements.

X. Limitations & Future Research

This study suffers from certain limitations. One, the data were cross-sectional in nature, which only enables one to see the snapshot of a specific period. Future research should examine the relationships using longitudinal analysis. Second, all the data were collected using self-report method raising to the possibility of common method variance. We tried to minimize the common method variance by using multiple measures, still there is a possibility of CMV. Future studies should concentrate on examining the impact of intrinsic rewards and total rewards on job engagement and organizational engagement. There is also a need to conduct a qualitative research to understand the factors that motive employees with higher education and also on how to foster job engagement among older employees.

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