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INTRINSIC AND EXTRINSIC REWARDS AND JOB SATISFACTION: A THEORETICAL REVIEW

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Abstract

Rewards system is one of the determining factors of job satisfaction as well as employees performance. It plays significant role in motivating employees to feel ok with their work and perform better. This study, therefore, seek to investigate the role of Intrinsic and Extrinsic Rewards on Job Satisfaction in an organization. The study use desk review method to draw a conclusion base on the findings of past studies. The study concludes that both intrinsic and extrinsic rewards play an important role on job satisfaction among employees of both public and private sectors. The study recommends that managers and supervisors should consider intrinsic and extrinsic rewards an important determinant factor of job satisfaction.

Key Words: Intrinsic Rewards, Extrinsic Rewards and Job Satisfaction

1. Introduction

The quality of work life experienced by employees in organizations has been an area of great interest for practitioners and researchers (Sekaran, 1989). The concept of work satisfaction had a significant importance in the social science literature for many years. A vast amount of research has been conducted on this subject, and related work dimensions (Clifford, 1985). Job Satisfaction is a yardstick for appraisal of the quality of work experiences as mentioned by Locke (1976). He also reported that over hundreds of articles have been compiled on this topic, and are still growing with exponential numbers. Among the most accepted definitions of job satisfaction is the one by Locke (1969) who defines job satisfaction as “a positive emotional feeling, a result of one’s evaluation towards his job and his job experience by comparing between what he expects from his job and what he actually gets from it”. Job satisfaction may also be discussed as the result of the interaction of the employees and his perception towards his job and work environment (Locke, 1976). The antecedents that affects the job satisfaction, may be a large number of, like work values, one’s maladjustment, work rewards, work ethics, personal attributes, hours of work, emotions, performance, threat to job stability, work environment, organizational social concern.

However, reward can be described as an individual who received by performing particular task or job that play crucial role to enhanced employees performance as well productivity of the firm reward system can be split into two groups extrinsic and intrinsic motivations they are made by taking employees point of view extrinsic rewards like., remuneration, additional benefit, commission, status and advancement on the other side extrinsic reward i-e conscientiousness, working environment, opportunities to improved their career and meaningful work Hence, another study revealed that poor remuneration directly link to profit earn by organization (Akerele., 1991). Thus, study will critically review a relevant data on the relationship between Intrinsic, Extrinsic Rewards and Job Satisfaction and draw a conclusion from their findings.

2. Literature Review

Concept of Rewards system

A reward is usually something valuable, such as money, it serves many purposes in organizations. They serve to build a better employment deal, hold on to good employees and to reduce turnover. The principal goal is to increase people's willingness to work in one's company, to enhance their productivity. Most people assimilate "rewards", with salary raise or bonuses, but this is only one kind of reward, extrinsic reward. Studies proves that salespeople prefer pay raises because they feel frustrated by their inability to obtain other rewards, but this behavior can be modified by applying a complete reward strategy.

There are two kinds of rewards:

Extrinsic rewards: concrete rewards that employee receive which includes the followings;

i. **Bonuses:** Usually annually, Bonuses motivates the employee to put in all activities and efforts during the year to achieve more than a satisfactory appraisal that increases the chance of earning several salaries as lump sum. The scheme of bonuses varies within organizations; some organizations ensure fixed bonuses which eliminate the element of asymmetric information, conversely, other organizations deal with bonuses in terms of performance which is subjective and may develop some sort of bias which may discourage employees and create setback. Therefore, managers must be extra cautious and unbiased.

ii. **Salary raise:** Is achieved after hard work and effort of employees, attaining and acquiring new skills or academic certificates and as appreciation for employees duty (yearly increments) in an organization. This type of reward is beneficial for the reason that it motivates employees in developing their skills and competence which is also an investment for the organization due to increased productivity and performance. This type of reward offers long-term satisfaction to employees. Nevertheless, managers must also be fair and equal with employees serving the organization and eliminate the possibility of adverse selection where some employees can be treated superior or inferior to others.

iii. **Gifts:** Are considered short-term. Mainly presented as a token of appreciation for an achievement or obtaining an organizations desired goal. Any employee would appreciate a tangible matter that boosts their self-esteem for the reason of recognition and appreciation from the management. This type of reward basically provides a clear vision of the employee's correct path and motivates employee into stabilizing or increasing their efforts to achieve higher returns and attainments.

iv. **Promotion:** Quite similar to the former type of reward. Promotions tend to effect the long-term satisfaction of employees. This can be done by elevating the employee to a higher stage and offering a title with increased accountability and responsibility due to employee efforts, behavior and period serving a specific organization. This type of reward is vital for the main reason of redundancy and routine. The employee is motivated in this type of reward to contribute all his efforts in order to gain managements trust and acquire their delegation and responsibility. The issue revolved around promotion is adverse selection and managers must be fair and reasonable in promoting their employees. Other kinds of tangible rewards Intrinsic rewards: tend to give personal satisfaction to individual.

v. **Information/feedback:** Also a significant type of reward that successful and effective managers never neglect. This type of rewards offers guidance to employees whether positive (remain on track) or negative (guidance to the correct path). This also creates a bond and adds value to the relationship of managers and employees.

vi. **Recognition:** Is recognizing an employee's performance by verbal appreciation. This type of reward may take the presence of being formal for example meeting or informal such as a "pat on the back" to boost employees self-esteem and happiness which will result into additional contributing efforts.

vii. **Trust/empowerment:** in any society or organization, trust is a vital aspect between living individuals in order to add value to any relationship. This form of reliance is essential in order to complete tasks successfully. Also, takes place in empowerment when managers delegate tasks to employees. This adds importance to an employee where his decisions and actions are reflected. Therefore, this reward may benefit organizations for the idea of two minds better than one.

Intrinsic rewards makes the employee feel better in the organization, while Extrinsic rewards focus on the performance and activities of the employee in order to attain a certain outcome. The principal difficulty is to find a balance between employees' performance (extrinsic) and happiness (intrinsic). The reward also needs to be according to the employee's personality. For instance, a sports fan will be really happy to get some tickets for the next big match. However a mother who passes all her time with her children, may not use them and therefore they will be wasted. When rewarding one, the manager needs to choose if he wants to rewards an Individual, a Team or a whole Organization. One will choose the reward scope in harmony with the work that has been achieved.

Individual

Base pay, incentives, benefits

Rewards attendance, performance, competence

Team: team bonus, rewards group cooperation

Organization: profit-sharing, shares, gain-sharing

Intrinsic Rewards and Outcomes

Intrinsic Rewards An intrinsic reward actually fulfills employee's intrinsic factors or motivators and thus motivates him. Examples include; giving challenging task, involving in decision making process, giving a higher rank in hierarchy etc all these rewards do not required having increased salary as well and employee may be working at higher management rank without an increase in the salary and still more motivated. Nelson (2004) notes that "praise and recognition are the most efficient intrinsic reward that enhance employee's performance". Jensen et al (2007) see "intrinsic reward as a tool that motivate employees to perform as expected". Stoner and Freeman (1992) defined intrinsic rewards as the" psychological reward that is experienced directly by an employee".

Extrinsic Rewards and Outcomes

An Extrinsic rewards actually fulfills employees extrinsic factors or hygiene factors and thus do not let him start thinking about leaving the company. Examples include; pay rise, bonuses, paid leaves, annual recreational plans etc. Ahmed (2009) confirms that there is a statistically significant relationship between reward and recognition respectively, also motivation and satisfaction. Carraher et al (2006) advocate that there should be an effective extrinsic reward system to retain the high performers in the organization and reward should be related with their productivity. Another fact that can be observed from the above discussion and examples is that intrinsic rewards are mostly qualitative in nature and cannot be quantified for example more respect, recognition etc. Whereas extrinsic rewards are more of a quantitative in nature.

Concept of Job Satisfaction

Different authors define Job satisfaction differently using different determinants such as rewards, promotion, and supportive work environment among others. Robbins (2003) define job satisfaction as, there are four main primary factors that determines job satisfaction. The first one is rewards, refer to as pay and promotion which is considered most related to job satisfaction because when employees feels that they are rewarding fairly, their experience towards satisfaction is increased. The second determinant is supportive work environment, next determinant is mentally challenging work and the last one determinant is supportive colleagues. Job satisfaction define as "a function of the range of specific satisfactions and dissatisfactions that he/she experiences with respect to the various dimensions of work" It includes what Individuals expect from job and what they receive (Locke, 1976). Different employees are different level of expectation with respect to pay and rewards in work situations (Porter and Steers, 1973). Many companies used different techniques like survey to find out what are the employees expectations and perceptions about their jobs (Kinicki & Kreitner, 2003). Arnold and Feldman, (1986) asserts that job satisfaction is the positive attitude of an individual towards his job. Robbins, Odendaal, and Roodt, (2001) recommended that these are the different factors such as work rewards, pay, relationship with coworkers and job security which has substantial influence on job satisfaction. Moshavi and Terborg (2002) portrays call center representative work is highly stressful. Kleemann and Matuschek, (2002) claim that different individual recognize that call center representatives work is so boring because they are bounded to spent a long time on computer and also required to work shifts like night and weekends. According to Kleemann and Matuschek, (2002) depicts that call center representatives job satisfaction is high when they feels that they are rewarded on the basis of their contribution. It is stated that most of the managers consider that fringe benefits and employee recognition are important for call center representative's job satisfaction and some of them are not belief on it (Levin, 2004). Definitely, when these different factors provide a call center to his employees their performance and satisfaction level ultimately will be boost.

3. Methodology

This study is literature based study, therefore, the desk review method was use to conduct this study. The extent of literature in intrinsic and extrinsic rewards and job satisfaction were critically reviewed. The study use different secondary sources such as text books, journals and conference proceedings to gather the information and review the relevant one to concludes and make some recommendations.

4. Conclusion and Recommendations

Rewards system is one of the determining factors of job satisfaction as well as employees performance. It plays significant role in motivating employees to feel ok with their work and perform better. This study, therefore, investigated the role of Intrinsic and Extrinsic Rewards on Job Satisfaction in an organization. The study concludes that both intrinsic and extrinsic rewards play an important role on job satisfaction among employees of both public and private sectors. The study recommends that managers and supervisors should consider intrinsic and extrinsic rewards an important determinant factor of job satisfaction

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