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THE EFFECT OF MOTIVATION, MONETARY INCENTIVES AND SUPPORTIVE LEGISLATION ON EMPLOYEE PERFORMANCE AT A MULTINATIONAL ORGANISATION IN SOUTH AFRICA

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ABSTRACT

Due to various economic and organisation-specific constraints, companies are sometimes forced to implement cost-cutting measures including the removal of the motivation measures as well as the reduction of financial incentives allocated to employees. The main objective of this study is to determine the effect of motivation, monetary incentives and supportive legislation on employee performance in South Africa. Data was collected through a survey of employees from a multinational organisation located in Randburg in South Africa using a self-administered questionnaire. Out of a population of 152, 75 respondents answered the questionnaire. Descriptive statistics, correlation analysis and linear regression analysis were done to interpret the results from the surveys.

Keywords: Economics, cost-cutting measures, self-administered questionnaire, motivation, Monetary Incentive.

INTRODUCTION AND BACKGROUND

Introduction

Companies sometimes go through financial and operational difficulties due to various reasons. These difficulties can result in low financial performance of a company prompting management to consider cost-cutting measures. With the unemployment rate in South Africa of 30.1 per cent as per the results released by the Stats SA on the first quarter of 2020, it is vital that jobs are created and not lost. Additionally, Section 189 (2) of the Labour Relations Act,66 of 1995 states that the consulting parties must attempt to reach consensus on avoiding or minimizing retrenchment and ways of mitigating retrenchment. This suggests that retrenchments should therefore be the last resort for all South African companies going through a financial struggle (Osa, 2014). One of the alternatives in reducing operating costs could be the reduction of monetary incentives. Monetary incentives include salary increases, bonuses, commissions, and fringe benefits like tuition fees among others (Aguinis, Joo & Gottfredson, 2013). The reduction of monetary incentives could lower operating costs and prevent retrenchments but before an organisation embarks into this initiative, they must first assess the effect of this reduction on employee motivation and performance (Yousaf, Latif, Aslam & Saddiqui, 2014). Motivation and Monetary incentives are introduced into an organisation to motivate employees and to increase productivity (Aguinis, Joo & Gottfredson, 2013).

An incentive is a monetary or non-monetary reward given to a person to stimulate his or her actions in the desired direction (Osa, 2014). Monetary incentives are also referred to as extrinsic incentives and non-monetary rewards as intrinsic incentives (Yousaf, Latif, Aslam & Saddiqui, 2014). Monetary incentives include, but are not limited to, salary increases, bonuses, commissions, and payments for employees' tuition whereas non-monetary incentives include being acknowledged by work colleagues and superiors (Yousaf et al., 2014). Employee performance involves the levels to which a worker achieves work-related goals (Manzoor, 2012). Motivation is a personal urge that drives an individual to act in a certain manner (Osa, 2014).

LITERATURE REVIEW

Motivation and Employee Performance

Dobre (2013) carried out a meta-study on the link between motivation and performance and found that a motivated team was essential for the attainment of business objectives. Dobre (2013) also found that motivation was linked to employee loyalty which also enhanced one's commitment towards company goal-achievement. Afful- Broni (2012) conducted a similar study at a higher learning institution in Kenya. They also found that higher employee motivation resulted in better goal-achievement among academic and non-academic staff. The study further concluded that intrinsically motivated employees will perform better than extrinsically motivated employees. Afful- Broni (2012) conducted a study at the University of Mines and Technology in Ghana using a sample of 200 staff members. They found that demotivation reduced employees' interest in their jobs and resulted in low productivity. A meta-study by Robescu and Ianco (2016) produced interesting perspectives on the same relationship. Their study revealed that contrary to common views that motivation results in increased performance, highly motivated employees can perform lower than lowly motivated groups. They cite anxiety and the fear of making errors as the reason behind this state-of-affairs. Additionally, even with a high level of motivation, employees working with difficult tasks beyond their capacity can also perform poorly.

Monetary Incentives and Employee Performance

A case study of a Malaysian petroleum company carried out by Meta, Ali, and Ali's (2015) revealed that monetary incentives have a significant direct effect on employees' performance. Al-Belushi and Khan (2017) conducted a similar study among academic and non-academic staff members at the Shinas College of Technology in Oman. A questionnaire distributed random sampling revealed that monetary incentives have a critical impact on employee motivation and that attractive financial incentives will boost employee performance. A study conducted by Peterson and Luthans (2006) on employees from twenty-one United States fast-food restaurants concluded that when financial incentives were introduced in the form of bonuses, each stores' customer satisfaction performance and profitability improved significantly. The study also found that staff turnover rate among the stores decreased. It was also noted that all these improvements were sustainable over time (Peterson & Luthans, 2006). However, Petersons and Luthans (2006) cautioned that their findings might have been affected by the use of a small sample. Ajila and Abiola (2004) also conducted a study amongst employees of the Central Bank of Nigeria. Their results showed that monetary rewards can uplift worker performance. A study on a commercial bank in Bangladesh conducted Aktar, (2012) also established that organisations need to avail its employees with both monetary benefits as extrinsic rewards and non-monetary intrinsic rewards to improve employee productivity (Aktar, 2012). The results further revealed that a basic salary is a highly significant motivator compared to other financial forms of remuneration. Achie and Kurah (2016) experimented with a Nigerian electricity distribution company and also concluded that money can uplift productivity in workers. However, in addition to salaries and other monetary incentives, other motivating factors such as personal development opportunities and fringe benefits also enhance an employee's productivity (Achie & Kurah, 2016). As a study by Margaret, Meloy, Russo, and Miller (2006) found that more monetary incentives could have an inverse effect on worker productivity due to overconfidence among high-earning employees. Similarly, Luca, Olaniyi, and Peter (2016) conducted a study on employees from a Nigerian university and concluded that there is an inverse link between monetary incentives and organisational performance. Osabiya (2015) found out that extremely large financial rewards were linked to negative experiences such as anxiety, fear of failure and the fear of a potential loss to these incentives.

Employee Productivity

Many theories attempt to explain how human beings can perform within organisational contexts. Huttu (2018) asserted that the knowledge of performance theories is critical for the appreciation of different incentives and their roles in employee performance. According to Ganta (2014), unmotivated workers have no concern for how the organisation operates while motivated employees are highly involved in the organisation and care about its success. In the two-factor theory, Herzberg, Mausner and Synderman (1959) asserted that individuals are motivated by two forces motivators (satisfiers) and hygiene factors (dissatisfiers). The first-factor group (motivators) inspires and influences the desire to act towards personal or group success. The second group (hygiene factors) does not motivate individuals but is a necessity to keep them away from demotivation. Demotivated individuals and teams lack the commitment to work towards goal-realisation. Thus, hygiene factors that include financial remuneration and non-financial benefits should be availed to avoid demotivation. Additionally, intangible, internally felt benefits that include increased responsibility, the feelings of being valued and appreciated and self-esteem should be facilitated as they are the sources of motivation. Several scholars insist that money is a critical motivator and not only a hygiene factor as postulated by Herzberg, Mausner and Synderman (1959). According to Yousaf, Latif, Aslam and Saddiqui (2014), money is ranked as the most important incentive because it fulfils basic financial needs together with social affiliation and appreciation (Aguinis, Joo & Gottfredson, 2013). A major management problem is keeping workers continuously motivated in the workplace in case of financial deficiency occurring in the organisation (Osabiya, 2015). In any case, businesses need to keep pace with suitable remuneration, employee reward and appreciation structures designed to balance intrinsic and extrinsic motivators (Saleem, 2011; Manzoor, 2011). Other research showed that money is not a critical factor for employee motivation. Dharmasiri and Wickremasinghe (2006) conducted study on police officers in Sri Lanka revealing that increase in money pay-outs do not naturally result in higher motivation and performance. To retain staff, organisations often focus on remuneration and other monetary benefits as their main retention strategy although research has long established that employees are unlikely to remain in the employment relationship when incentivized by monetary benefits only (Nuijoo & Meyer, 2012). Osa (2014) noted that money needs to be supplemented with other benefits for it to have a desired motivational effect on employee productivity.

Other studies focused on the moderation effect of motivation in the relationship between monetary incentives and employee performance. Shaw (2015) found that monetary rewards can improve worker motivation which in turn enhanced productivity. He warned that monetary incentives, as a motivational factor only work when they are available and once removed since employee productivity tends to go down to previous levels. Likewise, Aguinis, Joo, and Gottfredson's (2013) found that monetary rewards can improve performance although they can lower employee turnover rates over time. Moreover, Hammermann and Mohnen (2012) agreed that monetary incentives increased employee performance in terms of a quantity of work performed, their experiment found that the work quality and intrinsic motivation decreased as a result. Additionally, employees can get too used to large payments they receive and may believe that they are entitled to more (Agnuis & Joo, 2013). Frost (2018) recommended that management should be aware that a salary begins to function as a motivator only when it is above the industry level. he argued that when the salary level is lower than the industry minimum employees lose motivation, perform poorly and are always ready to quit. Peterson and Luthans (2016) asserted that money still is the strongest motivational factor for employees. However, it cannot fulfil all the employee needs. Thus, other factors that motivate employees to perform better should not be isolated out of the motivation-performance relationship. These include other factors such as personal development, the openness of organisational systems and organisational relationships (Peterson & Luthans, 2016). In the south African context, employee productivity requires supportive legislation that enforce policies and regulations as per the labour law to the companies, organisations, and institutions.

METHODS AND MATERIAL OF THE STUDY

Research design

This study applied a quantitative research methodology. A quantitative study is critical when there is a need to reliably assess relationships between variables. The study applied a descriptive research design. This design enables researchers the investigate a phenomenon and to describe relationships amongst its components and variables. A survey strategy that made use of self-administered structured questionnaires is used to collect data. The South African based multinational organisation that was used in this study is an automation engineering organisation consisting of a population of 152 employees. For this investigation, the whole population is targeted for all objectives to enhance the reliability of the study’s findings by eliminating any sampling errors (Frost, 2018).

Data collection

A structured questionnaire was formulated using the Likert scale questionnaire where research participants have a choice on their level of agreement or disagreement. The rating scale includes 5 points namely strongly disagree =1, disagree = 2, not sure=3, agree = 4 and strongly agree = 5. The survey questionnaire comprises three sections about employee motivation, monetary incentives, and the supportive legislation.

Data analysis

Collected data was coded and captured in the SPSS version 23 for analysis through execution of a series of tests. The Cronbach's alpha was deployed to identify the internal reliability of the questionnaire items (Ratner, 2020). Descriptive statistics is applied to analyse measures of the central tendency. Correlation analysis is used to analyse the relationship between research variables (Ratner, 2020). The analysis of variance (ANOVA) is applied to determine the overall degree of significance of the research variables. The regression analysis is deployed to evaluate the degree of significance between dependent and independent variables at a significance level of 1% (Frost, 2018).

Model specification

Table 1 displays the independent and dependent variables used in this study.

Table 1: Research Variables

Independent Variables		**Dependent Variables**	
Code	**Description**	**Code**	**Description**
EM	Employee motivation	**EP**	Employee performance
MI	Monetary incentives		
SL	Supportive Legislation		

Source: Own Compilation

The following linear equation is defined according to the economic variables considered in this study:

$$\mathbf{EP = \beta0 + \beta1\ EM + \beta2MI + \beta3\ SL + £} \qquad \mathbf{(1)}$$

Where £ represents the error term ; β1, β2, β3 the estimation parameters and β0 the constant term. The coefficient of each variable will be provided during regression analysis.

DATA ANALYSIS AND RESULTS

Data Analysis

Reliability and Validity

Table 2 shows that research variables are valid and reliable since the Cronbach's Alpha coefficient equals .979 which is more than .70 the minimum requirement.

Table 2: Reliability Statistics

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.979	.979	3

Source: Own Compilation

Descriptive statistics

Table 3 displays the descriptive statistics of the research variables namely EM, MI, SL and EP. The standard deviations are 1.298, 1.209, 1.312 and 1.304 indicating how close their sample means respectively 3.83, 3.84, 3.85 and 3.88 are to the population.

Table 3: Descriptive Statistics

Descriptive Statistics	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
EI-Employee Motivation	75	1	5	287	3.83	1.298	1.686
MI-Monetary Incentives	75	1	5	288	3.84	1.209	1.461
SL-Supportive Legislation	75	1	5	289	3.85	1.312	1.721
EP-Employee Performance	75	1	5	291	3.88	1.304	1.702
Valid N (listwise)	75						

Source: Own Compilation

Correlation analysis

Table 4 below indicates that there is a positive and strong relationship between the EP and the independent variables such as EI, MI and SL that respectively have a correlation coefficient of .953, .931 and .992 at a significance level of 1%.

Table 4: correlation coefficients

Correlations		EI-Employee Motivation	MI-Monetary Incentives	SL-Supportive Legislation	EP-Employee Performance
EI-Employee Motivation	Pearson Correlation	1	.955**	.945**	.953**
	Sig. (2-tailed)		.000	.000	.000
	N	75	75	75	75
MI-Monetary Incentives	Pearson Correlation	.955**	1	.922**	.931**
	Sig. (2-tailed)	.000		.000	.000
	N	75	75	75	75
SL-Supportive Legislation	Pearson Correlation	.945**	.922**	1	.992**
	Sig. (2-tailed)	.000	.000		.000
	N	75	75	75	75
EP-Employee Performance	Pearson Correlation	.953**	.931**	.992**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	75	75	75	75

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

Source: Own Compilation

Regression analysis

Table 5 shows that the R square equals .987. This means that 98.7% of the employee performance is explained by the behaviour of the employee motivation, monetary incentives, and supportive legislation.

Table 5: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.994[a]	.987	.987	.151

a. Predictors: (Constant), SL-Supportive Legislation, MI-Monetary Incentives, EI-Employee Motivation

Source: Own Compilation

The below ANOVA table indicates that the relationship between research is not only positive but also strongly significant with a P-value of .000.

Table 6: ANOVA table

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.292	3	41.431	1806.828	.000[b]
	Residual	1.628	71	.023		
	Total	125.920	74			

a. Dependent Variable: EP-Employee Performance

b. Predictors: (Constant), SL-Supportive Legislation, MI-Monetary Incentives, EI-Employee Motivation

Source: Own Compilation

Regression model

Table 7 below indicates that the coefficient and the P-value of each research variable. The P-value appears to be significant only for the SL with a value equals to .000. Although the P-value of variables EI and MI are not significant, the ANOVA results show that employee motivation, monetary incentives and the supportive legislation are all required to improve employee efficiency in an organisation.

Table 7: Regression coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.030	.059		.504	.616
	EI-Employee Motivation	.116	.055	.115	2.101	.039
	MI-Monetary Incentives	.040	.050	.037	.792	.431
	SL-Supportive Legislation	.844	.042	.849	20.187	.000

a. Dependent Variable: EP-Employee Performance

Source: Own Compilation

Based on the above regression coefficients, the regression model appears as follow:

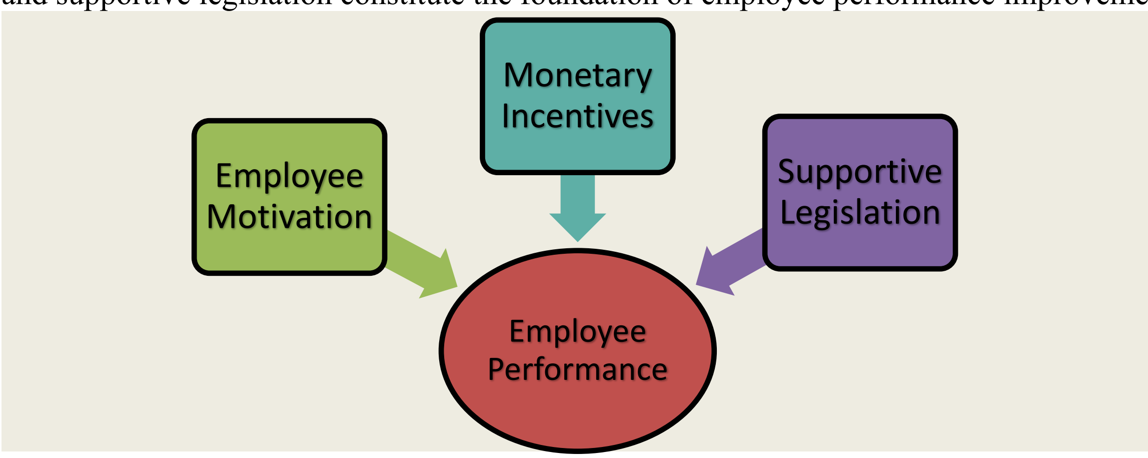
EP = β0 + β1 EM + β2MI + β3 SL + £ (1)

The regression equation becomes as follow:

EP = 0.30 + 0.116 EM + 0.040MI + 0.844 SL + £ (2)

Research Findings

Based on the above data analysis, figure 1 shows that employee motivation, monetary incentives and supportive legislation constitute the foundation of employee performance improvement.

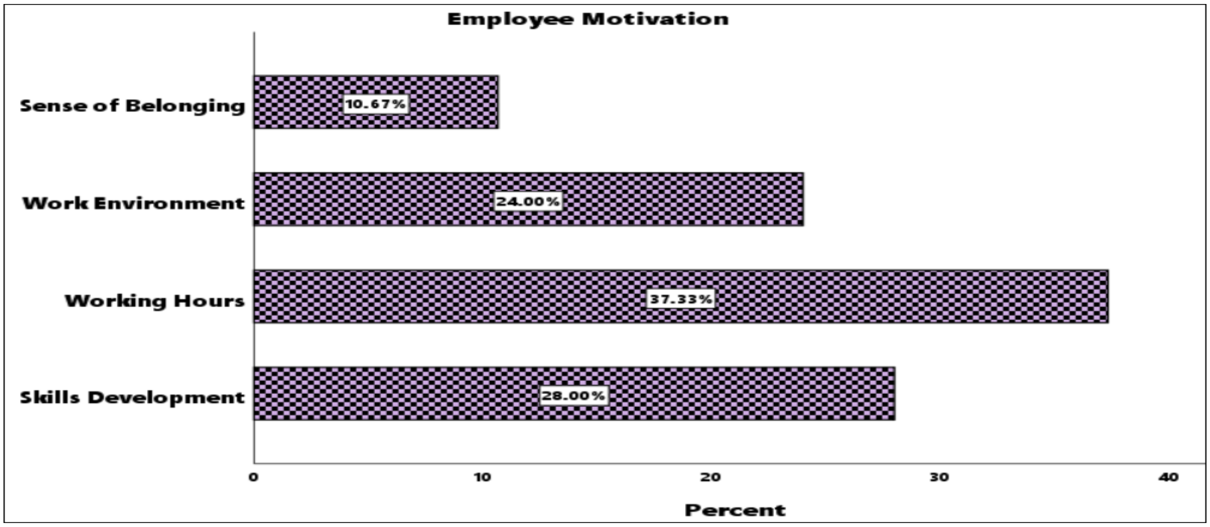


Source: Own Compilation

Figure 1: Employee Performance Factors

Employee Motivation

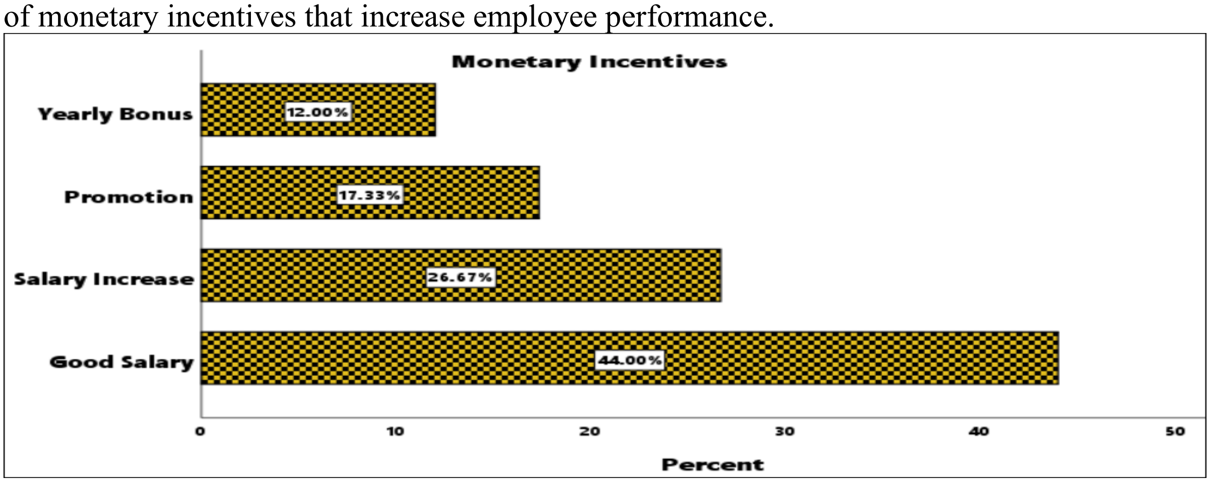
Figure 2 indicates that employee motivation is built overtime when the organisation focuses on skills development while ensuring a healthy working environment and the participation of employees in the decision-making process. Considering the current digital world, 37.33% argued that flexible working hours strongly contributes to the employee motivation.



Source: Own Compilation
Figure 2: Employee Motivation Factors

Monetary Incentives

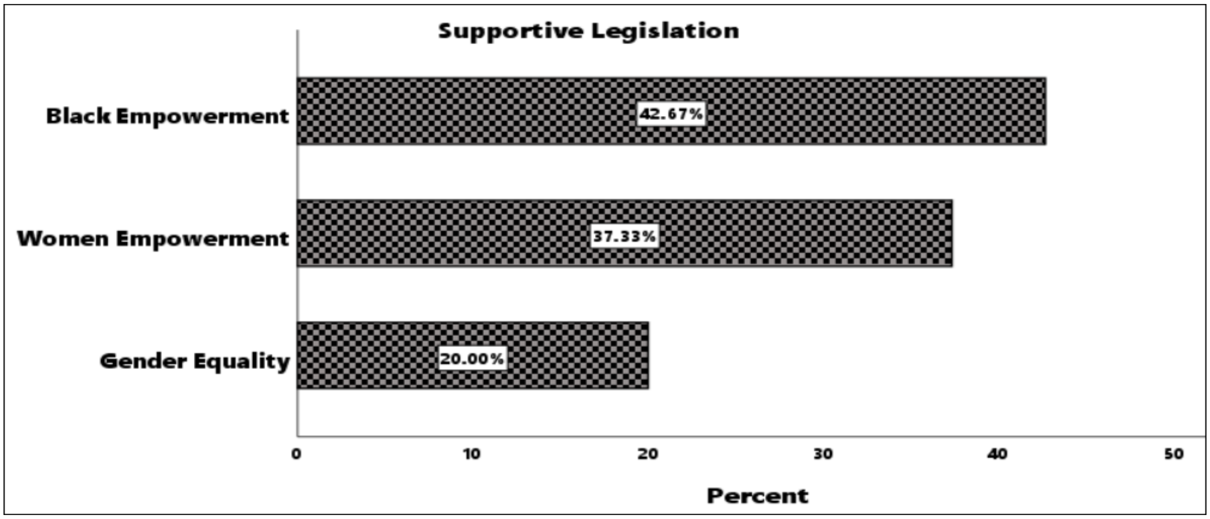
Figure 3 displays that 12.00%, 17.33%, 26.67% and 44.00% of the respondents respectively believe that the yearly bonus, promotion, salary increase and good salary are the important source of monetary incentives that increase employee performance.



Source: Own Compilation
Figure 3: Monetary Incentives Factors

Supportive Legislation

Figure 4 depicts that 42.67%, 37.33% and 20.00% of respondents stated that a combination of black empowerment, women empowerment and gender equality are critical as supportive legislation to achieve long-term employee performance.



Source: Own Compilation
Figure 4: Supportive Legislation Factors

Limitations of the Study

Like any other research, this study had its limitations. Firstly, the results on employee performance were obtained through self-evaluation by the employees and were not confirmed any further. There is a risk that some employees might have overrated or underrated their performance. Secondly, out of a population of 152, only 75 respondents responded to the questionnaire. A larger number of respondents could have given a more accurate conclusion. Finally, noting that the organisation under study had been impacted by salary reductions due to the COVID 19 pandemic-induced challenges. The topic covered was sensitive and the questions had to be phrased carefully. Employees responses might have been affected by current events and therefore could have been different if the survey was undertaken during a normal period.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the above-mentioned research analysis and discussion, it is first established the study was reliable and valid with a Cronbach's Alpha coefficient of .979. Moreover, 98.7% of the employee performance is determined by the behaviour of the employee motivation, monetary incentives together with a supportive legislation. The relationship among these variables appears to be not only positive but strongly significant. Research findings revealed that 28.00%, 37.33%, 24.00% and 10.67% of the participants respectively confirm that skills development, flexible working hours, work environment as well as the sense of belonging all contribute to improve the motivation level of employees. 12.00%, 17.33%, 26.67% and 44.00% of the respondents respectively believe that the yearly bonus, promotion, salary increase and good salary are the important source of monetary incentives that increase employee performance. 42.67%, 37.33% and 20.00% of respondents stated that a combination of black empowerment, women empowerment and gender equality are critical as supportive legislation to achieve long-term employee performance.

Recommendations

The study also motivates researchers to conduct organisation-specific studies when assessing the relationships between these three variables as organisational situations differ. Overall, the research process was considered a success as it enabled the researcher to meet the research objectives of interest. Reducing monetary incentives can be an alternative to massive retrenchments following consultative approaches to increase employees' acceptability and thus limit employees to look for alternative vacancies outside the organisation. Policymakers have the accountability and the responsibility to ensure and enforce execution of the labour Laws, Acts and Regulation to maintain employees' performance as well as business efficiency.

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