



## Cash or Compliment? Older employees preference of financial versus non-financial incentives

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### ABSTRACT

Resulting from the emerging importance of population ageing, the last several years an increased amount of academic interest has been located in the area of motivation of older employees. In this context, job satisfaction has been used as one of the measure to evaluate older workers wellbeing in the organization. The aim of this paper is to investigate the preference of financial and non-financial incentives among older employees and their impact on job satisfaction. A total of 351 employees aged 40 years and over working in the telecommunication industry in the Republic of Macedonia, have been included in the study. The results indicated that although both types of incentives are positively related to job satisfaction, financial incentives tend to be stronger predictors. In addition, managerial position, tenure and intrinsic motivation have been positively related to job satisfaction among older employees as well. The current research seeks to decrease the research gap concerning the ageing workforce in developing economies and contribute to the increased understanding of these growing age group of employees.

## BACKGROUND OF THE RESEARCH

The issue of population aging is one of the most significant demographic, social and economic challenges of this century. Its importance increases since it is not geographically and economically limited- it is a share problem of both developed and developing economies (Fraccaroli and Deller, 2015). According to the European Commission by 2080 it is expected that more than 28.7% of Europeans will be 65 and older (compared to 18.5% in 2014) with doubling up the share of the population that is 80 years and older (Eurostat, 2015; EUROPOP, 2013). Although many of the research publication analyse and discuss the impact of this phenomenon on different institutions and social structures in developed economies (especially those in Europe and North America), awareness of the issues concerning older population remains low in many developing economies although the absolute numbers of elderly persons double or triple (Shrestha, 2000; Higo and Khan, 2015; Bloom et al., 2015). The main aim of this research is to contribute to the scientific understanding of the implications of the ageing population on the economic sector. The changing demographic structure of the global population has highlighted the need to analyse the determinants of

job satisfaction among different demographic groups. More specifically, in the light of discussion on postponing retirement, the research is interested in exploring the determinants job satisfaction among older employees with special focus on the role of financial and non-financial incentives.

## 1. FINANCIAL INCENTIVES

The impact of financial motivators on the employee motivation has been discussed by different authors. Mukherjee (2005, p. 124) describes financial motivators as such that are connected with some kind of monetary incentives and reports about different types of such motivators. According to the author, financial motivators can include wages, salaries, fringe benefits, bonuses, retirement benefits etc.

The academic evidence has also revealed some important facts and principles about financial rewards that motivate employees. Although authors broadly agree that pay should not be seen as the main factor that drives the job satisfaction, it is agreed that it motivates people and is a very important key figure that companies often underestimate in retaining quality employees (Streimikiene, Kiausiene, 2012. Zukauskas, Vveinhardt, 2009; Kiausienė, Streimikiene, 2013a,b; Vveinhardt, Andriukaitiene, 2015). Robbins (2009) refers to a study from 2006 which has found that whereas only 45 percent of the employees thought that pay was a key factor in losing top talent, 71 percent of the top performers have indicated that it was a top reason. The author reports also about the results of a 2006 HR benchmark survey which has observed different industrial sections on the South African market and has shown that 14 % of the South African employees tend to leave their employer companies primarily for the reason of base pay and benefits.

Another interesting study regarding the importance of financial motivators has been made in India in 1993. According to Kumar (1998) this study has been conducted for middle level managers in Indian companies and has shown the result that financial incentives have much greater impact on the employee motivation and job satisfaction than non- financial rewards. According to the author, 120 middle level executives have been interviewed and 78 percent of the respondents have considered financial incentives as being motivating to them whereas only 22 percent have expressed the opinion that non- financial incentives were more motivating for their performance

## 2. NON-FINANCIAL INCENTIVES

The non- financial motivators and their importance have been described and revealed by different authors. Sagar (1998, p. 126) describes non- financial motivators as incentives that are not measurable in terms of money. Aligning with this statement, Mukherjee (2005, p. 124), agrees that non- financial motivators are not associated with monetary rewards. The author gives examples for such motivators. According to Mukherjee (2005, p. 124), those motivators include rather intangible forms of incentives such as ego- satisfaction, self- actualisation and responsibility. The academic evidence reviews the importance of non- financial rewarding for the organizational practice and their meaning for increasing employee motivation. The following subsection aims to pay a particular attention on this topic. Armstrong (2007, p. 60) suggests that the intrinsic motivators which he considers being connected with the quality of working life as well as with the work- life balance are more likely to last longer than the extrinsic motivators because, as the author describes, intrinsic motivators are imposed from inside the individuals and can be eventually encouraged in the organisations. The author also points that the framework for non- financial motivators is provided by the concepts of motivation that are connected with the needs, goals, reinforcement of employees, the expectations connected with the expectancy theory, the attribution theory as well as the self-efficacy.

Interestingly, the preference for either of the two groups of incentives has demographic pre-conditioning as well. In example, studies have found that job satisfaction increases with age and tenure in the organization. This would mean that older employees are more prone to reporting higher levels of job satisfaction compared to their younger counterparts. In addition, employees who have worked longer in the current organization tend to have higher levels of job satisfaction. However the relationship between tenure and job satisfaction does not apply to younger employees, who are more prone to reporting lower satisfaction when having longer tenure in the same organization (Dorien et al., 2012; Truxillo et al., 2012). Interestingly, Millan et al (2013) found that self-employed people are more prone to reporting higher levels of job satisfaction compared to paid employees. This may mean that employees that have higher levels of responsibility, freedom for decision making and opportunity to supervise and lead other people (much like the role of managers) are more likely to be satisfied with their job.

### **Starting hypothesis:**

Based on the provided arguments in the review of the literature we formulate the following hypothesis:

*H1: The use of financial incentive by the manager is significantly associated with higher job satisfaction of older employees*

*H2: Employees on managerial position are more likely to express higher levels of job satisfaction.*

*H3: Intrinsic motivation is related to job satisfaction among older employees.*

*H4: Financial incentives are stronger predictors of job satisfaction compared to non-financial incentives.*

## **3. METHODOLOGY OF THE RESEARCH**

The main aim of the study is to investigate the preference of financial and non-financial incentives among older employees and their impact on job satisfaction.

### **3.1 Procedure**

We administered a specially designed questionnaire in the largest telecommunication companies in Macedonia. With informed consensus from the company management, the researchers distributed the surveys to all employees who were present at work. Prior to the distribution, all potential participants were informed that the participation in the research is voluntary, anonymous and that the collected research data will be used solely for scientific purposes. Special attention was paid that no one from the company management or a department supervisor is present at the time the questionnaires were distributed, completed and collected. In order to ensure anonymity, the questionnaires were collected in a specially dedicated box.

### **3.2. Instrument**

The research represents a quantitative approach and uses a questionnaire as the main research instrument. For the purpose of the study and to test the research hypothesis, four variables were constructed (1) Financial motivators – 3 items; (2) Non-financial motivators – 4 items; (3) Intrinsic motivation – 5 items and (4) Job satisfaction – 3 items. Unless otherwise indicated all responses were recorded on a 5 point Likert type scale (1=totally disagree and 5=totally agree). The performed factors analyses (Principal component analyses with Varimax Rotation) intended to measure the dependent variable and the three independent variables, clearly loaded in four separate factors (presented in Table 1 below). The second section collected the demographic data

on the participants – age, gender, education, tenure and position in company. The questionnaire was anonymous and no personal data was collected on the participants.

**Table 1.** Principle component analyses with Varimax rotation

	Factor 1	Factor 2	Factor 3	Factor 4
Salary plays a determining role in the decision to accept a job or promotion	<b>0.78</b>	0.15	0.23	0.11
The potential to earn financial rewards for completing a task, motivates me to work harder	<b>0.67</b>	0.12	0.31	0.18
In the short term, financial rewards are stronger motivators compared to non-financial motivators	<b>0.73</b>	0.19	0.18	0.17
Positive feedback from your supervisor motivates you to work harder	0.13	<b>0.59</b>	0.19	0.14
The opportunity to undertake challenging tasks and duties, is motivation for you	0.27	<b>0.87</b>	0.21	0.25
Working in an organization that values the balance between personal and private life is important to you	0.14	<b>0.85</b>	0.25	0.19
The opportunity to participate in seminars and conferences is important to you	0.22	<b>0.69</b>	0.27	0.22
My job is so interesting that it presents motivation by itself	0.3	0.25	<b>0.83</b>	0.29
If find my job very exciting	0.13	0.22	<b>0.91</b>	0.3
I enjoy my job	0.29	0.3	<b>0.64</b>	0.31
The components that characterize my job contribute to my work motivation	0.14	0.17	<b>0.66</b>	14
I find my job so inspiring that sometimes I forget everything else	0.25	0.12	<b>0.73</b>	0.17
My current job provides me with better career opportunities compared to other places I could work	0.16	0.15	0.21	<b>0.68</b>
My current job provides me with a sense of accomplishment	0.18	0.24	0.23	<b>0.76</b>
I receive appropriate recognition for the work I do	0.24	0.27	0.14	<b>0.84</b>
Eigen values	4.87	2.1	1.7	<b>1.6</b>
% of common variance	42.1	13.9	6.7	<b>14.1</b>

### 3.3 Sampling

Taking into account that the goal of the research was to investigate the preference of financial versus non-financial motivators and related job attitudes among older employees, we have surveyed only individuals who were 40 years or older and currently with full time employment in the companies.

### 3.4. Procedure

The questionnaires were personally distributed in the company by the researchers. Prior to distributing the questionnaire, the potential participants were informed on the purpose of the survey, voluntary participation, anonymity and scientific use of collected data. A total of 436 questionnaires were distributed and 351 were collected. The response rate was 80.5% categorized as a healthy response rate according to research standards.

### 3.5. Demographic profile of the sample

The average age of the employees of both companies who have participated in the study was between 41-50 (61%). Among the respondents 46.2 % were female and 53.8 % were male. The majority of the participants were Macedonian (90%), whereas 7% were Albanian. Regarding the educational level of the participants, 76 % of the participants have a university degree, whereas 10 % have a master degree, 11 % have a high school education and 3 % a high education. The demographic information regarding the marital status of the participants have shown that the majority are married (79%), whereas only 5 % are single, 3 % are living in a relationship and 13 % are divorced. The majority of the respondents have at least one child (83%). 75% of the participants have partners who are also employed and 10 % have an unemployed partner (the rest of the participants refused to answer this question). Regarding the position in the company, the majority (79 %) have non- managerial job positions, whereas 21 % have managerial positions. Another demographic aspect of the questionnaire was regarding the time of employment in the company: 65 % have responded that they have been working there for 5- 15 years.

## 4. RESEARCH FINDINGS

The descriptive analyses of the importance of the research data (Table 2) indicate that the mean score of the *financial motivators* was  $M=4.06$  with a standard deviation of  $SD=\pm 0.732$ . The item with the highest score was "Salary plays a determining role in the decision to accept a job or promotion" ( $M=4.10$ ;  $SD=\pm 0.763$ ), while the item with the lowest score was "In the short term, financial rewards are stronger motivators compared to non-financial motivators" ( $M=4.00$ ;  $SD=\pm 0.822$ ). The mean score for the *non-financial motivators* was  $M=4.08$  with a standard deviation of  $SD=\pm 0.735$ . The item with the highest score was "Positive feedback from your supervisor motivates you to work harder" ( $M=4.53$ ;  $SD=\pm 0.757$ ), while the item with the lowest score was "The opportunity to undertake challenging tasks and duties, is motivation for you" ( $M=3.83$ ;  $SD=\pm 1.11$ ). The mean score for the *job satisfaction scale* was  $M=3.83$  with a standard deviation of  $SD=\pm 0.725$ . The item with the highest score was "My current job provides me with better career opportunities compared to other places I could work" ( $M=4.20$ ;  $SD=\pm 0.958$ ), while the item with the lowest score was "I receive appropriate recognition for the work I do" ( $M=3.11$ ;  $SD=\pm 0.95$ ). The mean score for the *intrinsic motivation scale* was  $M=4.28$  with a standard deviation of  $SD=\pm 0.660$ . The item with the highest score was "I enjoy my job" ( $M=4.38$ ;  $SD=\pm 0.827$ ), while the item with the lowest score was "The components that characterize my job contribute to my work motivation" ( $M=3.93$ ;  $SD=\pm 0.808$ ).

**Table 2.** Descriptive analysis of survey items

	Mean	Std. Deviation
<i>Financial Motivators</i>	4.06	.732
Salary plays a determining role in the decision to accept a job or promotion	4.10	.763
The potential to earn financial rewards for completing a task, motivates me to work harder	4.08	.879
In the short term, financial rewards are stronger motivators compared to non-financial motivators	4.00	.822
<i>Non-financial motivators</i>	4.08	.735
Positive feedback from your supervisor motivates you to work harder	4.53	.757
The opportunity to undertake challenging tasks and duties, is motivation for you	3.83	1.11
Working in an organization that values the balance between personal and private life is important to you	3.94	1.39
The opportunity to participate in seminars and conferences is important to you	4.03	.71
<i>Intrinsic motivation</i>	4.28	.660

My job is so interesting that it presents motivation by itself	4.37	.720
If find my job very exciting	4.17	.950
I enjoy my job	4.38	.827
The components that characterize my job contribute to my work motivation	3.93	.808
I find my job so inspiring that sometimes I forget everything else	3.97	.835
JS	3.83	.795
My current job provides me with better career opportunities compared to other places I could work	4.20	.958
My current job provides me with a sense of accomplishment	4.19	.817
I receive appropriate recognition for the work I do	3.11	.950

The performed correlation analysis showed that the manager's use of non-financial motivators is positively correlated with job satisfaction ( $r=0.658$ ,  $p=0.000$ ), and the existence of intrinsic motivation ( $r=0.786$ ,  $p=0.000$ ). In addition, the existence of financial motivators is positively correlated with the employees' job satisfaction ( $r=0.828$ ,  $p=0.000$ ) and tenure ( $r=0.029$ ,  $p=0.000$ ) (Table 3).

**Table 3.** Results of two-tailed Pearson correlation

		<i>Financial Motivators</i>	<i>Non-financial motivators</i>	<i>Intrinsic motivation</i>	<i>Job satisfaction</i>	<i>Tenure</i>
<i>Financial Motivators</i>	Pearson Correlation	1	.067	.828**	.673**	.048
	Sig. (2-tailed)		.414	.000	.000	.557
	N	351	351	351	351	351
<i>Non-financial motivators</i>	Pearson Correlation	.067	1	.786**	.658**	.028
	Sig. (2-tailed)	.414		.000	.000	.731
	N	351	351	351	351	351
<i>Intrinsic motivation</i>	Pearson Correlation	.828**	.786**	1	.709**	.060
	Sig. (2-tailed)	.000	.000		.000	.468
	N	351	351	351	351	351
<i>Job satisfaction</i>	Pearson Correlation	.673**	.658**	.709**	1	-.059
	Sig. (2-tailed)	.000	.000	.000		.471
	N	351	351	351	351	351
<i>Tenure</i>	Pearson Correlation	.048	.028	.060	-.059	1
	Sig. (2-tailed)	.557	.731	.468	.471	
	N	351	351	351	351	351
	Sig. (2-tailed)	.000	.212	.289	.299	.000
	N	351	351	351	351	351

The one-way ANOVA analyses did not demonstrate statistically significant differences between group means of job satisfaction and employees' tenure in the company ( $F=0.693$ ;  $p=0.536$ ).

The results of the independent sample t-test analysis revealed that there is no statistically significant difference of older employees gender and job satisfaction ( $t=1.739$ ;  $p=0.078$ ). This findings differs from other research where significant differences in levels of job satisfaction

experienced by men and women was found (Ghazzawi, 2010), however this may be attributed to cultural differences.

**Table 4.** Results from the T-test analysis of JS and gender

		Group Statistics			
gender		N	Mean	Std. Deviation	Std. Error Mean
JS	male	193	3.56	.762	.062
	female	158	4.12	.913	.281

**Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		
								Lower	Upper	
JS	Equal variances assumed	.512	.412	1.739	348	.158	.333	.194	-.050	.716
	Equal variances not assumed			1.478		.154	.333	.225	-.135	.801

The results of the OLS multiple regression analysis showed that 68% of the variance in the dependent variable job satisfaction was explained by the independent variables, thus the model provides a statistically significant prediction of the outcome variable ( $F = 112.94$ ;  $p < 0.01$ ). The results presented in Table 3, indicate that the use of financial incentive by the manager is significantly associated with higher job satisfaction of older employees ( $\beta = 0.067$ ,  $p < 0.01$ ). Therefore these results provide support to the already existing academic research and of Hypothesis 1 of this research.

The results from the regression analysis also suggest that higher levels of job satisfaction is reported by employees who report presence of non-financial motivators in the company ( $\beta = 0.053$ ,  $p < 0.01$ ). However, the results suggest that financial incentives are stronger predictors of job satisfaction among older employees compared to non-financial incentives. These findings support Hypothesis 4 of this research. Finally older employees who have high intrinsic motivation, report higher levels of job satisfaction ( $\beta = 0.023$ ,  $p < 0.01$ ). This finding supports Hypothesis 3 of this research. In addition managerial position ( $\beta = 0.003$ ,  $p < 0.01$ ) and their tenure in the department ( $\beta = 0.009$ ,  $p < 0.01$ ) showed significant relationship with job satisfaction. These findings support Hypothesis 2 of this research. This means that older employees who have longer tenure in the department are more satisfied compared those with shorter department tenure. Finally, older employees who attain a managerial position within the company have higher levels of job satisfaction compared to those with non-managerial position.

**Table 5.** Results of OLS regression analysis

Model	Standardized Coefficients	T	Sig.
	Beta		
(Constant)		5.343	.000
Financial motivators	.067	9.26	.000
Non-financial motivators	.053	10.01	.000
Intrinsic motivation	.023	8.01	.000
Tenure	.009	4.31	.000
Managerial position	.003	1.63	.000
Gender	0.01	1.87	0.597

Dependent variable: Job satisfaction

## CONCLUSION

The results of this research study that has been undertaken among older employees in the telecommunications sector in Republic of Macedonia, indicated that financial incentives played a more powerful role in predicting job satisfaction compared to non-financial incentives, intrinsic motivation and tenure. This stands in harmony with the academic evidence, as different authors have paid a particular attention on the impact not only of financial, but also on non-financial incentives as on the organizational motivation. Based on the studies by Chiang and Birch (2012) and MdZani et al.(2011), the authors have point that although findings from previous research indicate that financial rewards or money in general have become the main motivator for job satisfaction, in the context of higher awareness of both employers and employees, non-financial rewards such as praise and recognition have become more and more important, especially in the long term. Although it is hard to argue against the notion that people come to work in exchange for money, research from the academic evidence and the results of the current research that has been done by the study in the both companies in Macedonia suggests that non-financial rewards also have an impact in the creation of a loyal employee. The research results have proved that although employees do get stronger motivated by financial incentives such as stock option plans, or bonuses, the impact of non-financial rewards, especially the employment for organizations that respect the work-life balance seem to play the most crucial part for employee motivation. This gained information stands in aligning to the revealed research by Dewhurst, Guthridge and Mohr (2009) according to which for people with satisfactory salaries, some non-financial motivators are more effective than extra cash in building long-term employee engagement as well. The author's summary suggests that when motivation is achieved by non financial means, it is likely to have a stronger and longer-lasting effect on the employees and that there might be a mutual reinforcement between financial and non-financial incentives. In line with the recommendation by Dewhurst, Guthridge and Mohr (2009), as well as in line with the suggestion by the author that nonmonetary incentives may work best if combined with appropriate monetary benefit for the employees, the current study in Macedonia has shown that both financial and non-financial rewards play an important part for the motivation of Macedonian employees.

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