

## **Assessing The Eeffects Of Non-Financial Incentives On Employees' Retention of Jos Electricity Distribution Gombe-Nigeria**

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**Abstract:** The study entitled “The Role of Non-financial Incentives on Employee Retention” is carried out to examine the position of non-financial incentives in retaining employees. Survey method was used in conducting the study thereby sampling 30 employees and collecting the data using questionnaires and the mean score of the factors were used as the instrument of data analysis with 3.2 criterion in determining whether or not non-financial incentives helps organizations retain their employees. After the analysis, it was discovered that job security is a motivator towards employee retention; provision of opportunities for training and development tend to retain employees and that the more an organization uses employees’ recognition the more their employees would want to stay. The study however, recommended that organisations should understand the positive correlation that exists between job security and employee retention; embark on improving employees’ opportunities for training and development and finally incorporating the use of employees’ recognition in their strategic plans because as it helps in retaining their employees.

**Keywords:** Non-financial, Incentives, Employees, Retention and Motivation

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### **I. INTRODUCTION**

#### **1.1 Background to the Study**

Keeping relatively permanent, loyal and motivated workforce in our present competitive business environment is one of the crucial issues of today’s management effectiveness. According to Lucey (2014), the results of having motivated people in an organisation are obvious and highly beneficial. One of the factors that can guarantee this is “non-financial incentives”. Non-financial incentives are rewards which gives inner joy to the individual but which cannot be measured and quantified in terms of money. Examples are: job security, more responsibility and authority, sense of belonging and recognition, job enrichment, better quality of work life both on and off the job, opportunity for growth, job rotation and achievement awards such as plaques, trophies, certificates and letter of appreciation. Benefits such as these that gladdens the inner mind explains the reason why employees would want to be contended and remain with the current job despite obstacles. In the past, it was believed that money is the answer to inadequate motivation in the work place (i.e. scientific management theory). And it works well at that time particularly for Taylor (1856-1915). Perhaps, the reason could be that, at that time most of the economies are still developing, depicting low income to most individuals.

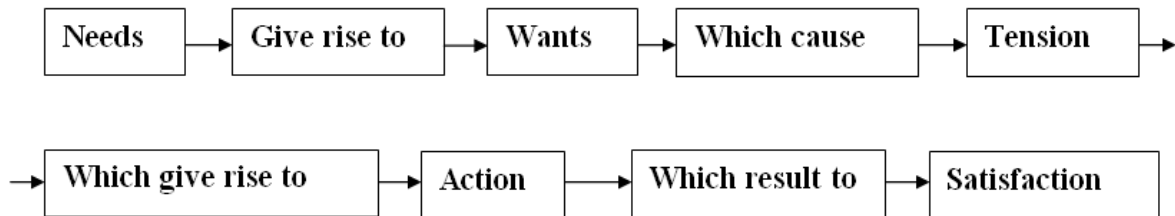
On the other hand within the few first decades of the 20<sup>th</sup> century, the industrial world underwent several sociological changes through elevated standard of living (Improved standard of living), improved working conditions, shorten work days and emergence of labour unions. It was then that workers started rejecting the ideas of Taylor. This line of thinking gave birth to the human relation school of thought where Prof. Elton Mayo, the proponent of the school, explained the reasons behind such rejections. He posits that factors that were not envisaged or recognized by management were at work. He further explained that productivity of employees were no longer contingent by physical environmental issues or matters resident in the physical space but by behavioural phenomena such as attention to the employees, recognition, psychological and social conditions.

This is exactly the situation today where issues that motivate employees are increasingly shifting from financial to non-financial issues. Kenneth (2009) put it this way: “motivational dynamics have changed dramatically to reflect new work requirements and changed worker expectations. One of the biggest changes has been the rise in importance of psychic, or intrinsic rewards, and the decline of material or extrinsic reward”.

Non-financial incentives are the types of rewards that are not part of an employee's pay. They include issues like praise, opportunity for growth and promotion, job security, achievement awards e.t.c. Barau (2008) also sees it as a process which encourages and guides behaviour.

Generally, many scholars have agreed that motivation is an inner state that energises action of a person and directs behaviour towards a goal. This can be seen from the words of Gatewood, et al (1995) as cited in Sunday and Ayodele (2009) that, motivation is an inner drive that directs behaviour towards goals.

From the foregoing we will get to know that motivation is a process. Cole (1993) as cited in Aminu (2013), put it that, motivation is a chain reaction, starting out with felt needs, resulting in wants or goals sought, which cause tension (unfulfilled desire), then causing action towards achieving goals, and finally satisfying wants. This is depicted as follows.

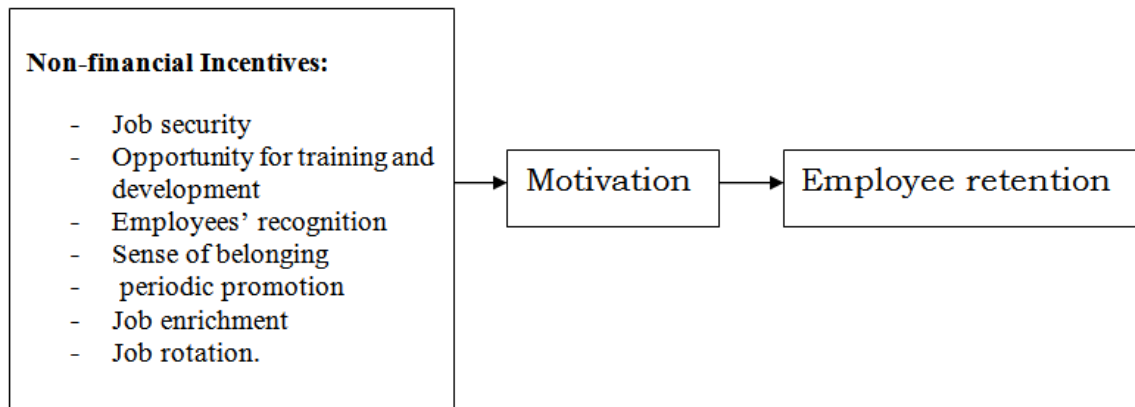


**Fig. 1.1: Need-Want-Satisfaction Chain**

Source: Cole G.A (1993)

Having identified that, a need is critical in motivating an employee. It is therefore, one thing for an organization or a manager to understand that, an unsatisfied need is a motivator as illustrated above; and another to identify what will really motivate who? This is because different individuals have different needs.

Researches prove that non-financial (intrinsic) incentives can have a significant role in retaining employees in organisations. Consider the following figure as it illustrates the chain reaction of an employee retention based on non-financial incentives.



Many motivational theories are available to help managers identify the different types of needs that trigger motivation which leads to employee retention. We have theories like; Elton Mayo of the famous Hawthorn Studies (1927-1932); Abraham Maslow and his Hierarchy of needs (1908 – 1970); Douglas McGregor's theory X & Y, Frederick Herzberg's two factor theories (1925-2000) and so on.

Therefore, considering the importance of motivation, organizations should work with certain motivational theories that are applicable to their situations. This is because even if the unmotivated employee did not leave the organization, he will be a threat to the organization. Harry as cited in Nwachukwu (2009), put it that, "the characteristics of a jackass are stubbornness, stupidity, wilfulness and unwillingness to go to where someone is driving him.

**1.2 Statement of the Problem**

Managers that understand the importance of non-financial incentives are most likely to have the advantage of retaining the needed skilled employees over time. Though, non-financial incentive system is not as costly as financial incentive. But still, one will wonder why some managers are not using it; rather, still looking at man as an economic animal that response only to financial incentive, hence frustrating their employees and causing enmity between them and resulting in losing some of them. This scenario is obvious in the statements

made by some employees such as, 'my boss never appreciate the effort we are putting, in this organisation'; 'he always frown at us'; our health and personal problems are not the concern of my boss, but all he knows is the accomplishment of his tasks; and so on.

These problems and others are most often responsible for the reason why employees would want to quickly change organisation. Enlightening such organizations and managers is what motivate the study to embark on this rigorous and rewarding task.

### **1.3 Objective of the Study**

The main objective of this study is to examine the position of non-financial incentives on employee retention. However, the specific objectives are:

- (i) to investigate whether job security helps in retaining employees in organisations.
- (ii) to examine the relationship between employees' training and development and employee retention.
- (iii) to investigate the influence of employees' recognition on their retention.

### **1.4 Research Questions**

The research questions are as follows:

- (i) Does job security helps in retaining employees in organisations?
- (ii) What is the relationship between employees' training and development and employee retention?
- (iii) -What is the influence of employees' recognition on their retention?

### **1.5 Hypotheses:**

**H<sub>01</sub>:** job security would not help in employees' retention in organisations.

**H<sub>02</sub>:** -There is no significant relationship between employees' training and development and employee retention.

**H<sub>03</sub>:** Employees' recognition does not have influence on employees' retention.

### **1.6 Significance of the Study**

Organizations and managers will find it significant as the study will unveil what non-financial incentives can do in retaining an employee, which is critical in achieving organizational goals. More on this, companies, policy makers, human resource managers, the government, students, researchers and entrepreneurs will find this research worthwhile.

## **II. REVIEW OF RELATED LITERATURE**

### **2.1 The Concept of Non-financial Incentives and Employees' Retention**

Non-financial incentives are those incentives which help in satisfying psychological, social and emotional needs of an individual. It can be seen as compensation given in a transaction which does not involve cash. According to Mgbechi, and Nwaeke (2015), nonfinancial incentives are viewed as non-cash award given in recognition of high level of accomplishments or performance. Employees do like and appreciates more money; but there are certain things that money cannot buy such as happiness, employees' engagement and loyalty. Non-financial incentives have the power of inspiring and engaging employees in ways that money is incapable of doing. Examples of nonfinancial incentives include periodic promotion; training and development opportunities; employees' recognition; Job security; sense of belonging; job enrichment and Job rotation. The presence of the aforementioned incentives usually helps organizations immensely in retaining employees.

#### **2.1.1 Job Security**

Job security involves employees' feelings over loss of job or loss of desirable job features such as lack of promotion opportunities, current work conditions as well as long term career opportunities. Employees usually value jobs with job security and this enhances their chances of remaining with their organizations for a long time. Most often, one of the major challenges of organizations is not that of employing the right employees at the right time; but that of ensuring that employees are assured of their jobs as long as they wish. According to Ossai-Igwe, and Sobri, and Abdul Rahman, (2013), jobs which are not backed by indefinite contract or cannot be guaranteed for a reasonable period of time are deemed to lack job security.

#### **2.1.2 Employees' Opportunities for Training and Development**

Training, both physically, socially, intellectually and mentally are very essential in easing the level of productivity and the development of personnel in any organization. According to Olaniyan, and Ojo, (2008), training is a systematic development of the knowledge, skills and attitudes required by employees to perform adequately on a given task or job. It can take place whether on the job or off the job. Providing training and development opportunities to employees can help organizations to increase the chances of retaining their employees hence, decrease in turn over.

Furthermore, if training opportunities are available to employees of an organization, they feel that their organization is interested in them and want to develop their career. They feel that their organization consider them so important and capable; that is why the organization is investing on them. This leads to employee retention. According to Hassan, Razi, Qamar, Jaffir, and Suhail (2013), the rate of turnover affects the performance of an organization.

### **2.1.3 Employees' Recognition**

Employee recognition can be seen as the acknowledgement of a job well done. In the same vein, 'The Human Resources Council of Canada' as cited in Challenor, Munapo, Mashau, and Chikandiwa, (2015), defined employee recognition as "the acknowledgement of an individual or team's behavior, effort and accomplishments that supports the organization's goals and values". people that receive regular recognition:

- i. increase their individual productivity
- ii. increase engagement among their colleagues
- iii. are more likely to stay with their organization
- iv. receive higher loyalty and satisfaction scores from customers

Recognition involves issues such as promotion, sense of belonging, and achievement awards such as plaques, trophies, certificates and letter of appreciation.

## **2.2 RELATED EMPIRICAL REVIEW**

In this section, the study reviewed previous researches conducted that are related to this topic. Marwan (2012), conducted a research on the relationship between Incentives and Organisational Performance for employees in the Jordanian Universities. The study used structured questionnaires in gathering the data, and was analysed using a five point Likert Scale with a weighed mean of 3.00 and above as the criteria cut off point for the level of agreement. The result shows that, there is a significant relationship between financial & moral incentives and organisational performance in the Jordanian Universities.

In the same way Atambo, Kabare, Munene and Nyaberi (2013) examines the Role of Employee Incentives on Performance, using public hospitals in Kenya with a descriptive research design and a structured questionnaire as the instrument of data collection. The data collected by the study was analysed using "The Spearman Rank Correlation Coefficient," and discovered that there is a strong positive relationship between employee incentives and performance

Edwinah (2013) also conducted a research on effective reward and incentive scheme for effective organizations and discovered that, organizational success depends on effective reward system. In the same way Njanja, Maina, Kibet, and Njagi, (2013) conducted a research on the effect of reward on employee performance and discovered that because of employee dynamism, no reward system is perfect. Prabakaran, Ispriya, Amsa, and Angulakshmi, (2014) also studied the worker's reward system in banking sector to find the relationship between reward and employee performance. He discovered that a good reward system motivates an employee to work harder.

Sharon and Hlanganipai (2014), considering that competition causes the rate of employee turnover to be high in the health sector, embark on a research and discovered that compensation issues are critical.

Abdul (2014) conducted his study on the impact of compensation on employee performance and discovered that compensation has a positive impact on employee performance.

Sipho M. (2014) investigated the relationship between intrinsic motivation and job involvement with employee retention. The researcher uses product moment correlation technique and multiple regressions in analyzing the data, and it was discovered that intrinsic motivation is the strongest predictor of employee retention.

## **III. RESEARCH METHODOLOGY**

The study in an attempt to answer the posed research questions objectively it chooses survey method to enable it make a sample, since it will be difficult to study the whole population. Primary sources of data collection was used to enable the researchers get first-hand information. The population of this study is 80 comprising the entire staff of Jos Electricity Distribution Company Gombe-Nigeria. The sampled 30 employees for the study by using convenience sampling technique to represent the whole population. The questionnaire which was the major instrument selected for the research has been administered to the staff of the various departments of the company and the data obtained was analysed, summarized and interpreted using the mean score of all the constructs under study. **3.2** were set as a criterion to determine the acceptance or rejection of a statement using Likert scale.

$$\text{Mean} = \frac{\sum fx}{\sum f}$$

**Criterion:** We can accept a factor only when  $x \geq 3.2$ , otherwise.  
 Frequency (f)= Frequency of responses

#### IV. DATA PRESENTATION AND ANALYSIS

##### SECTION A:Employees Biodata

**Table 4.1: Questionnaire Distribution and Collection**

Questionnaire	Total	Percentage
Filled and returned	28	93.33
Not returned	02	6.67
<b>Total</b>	<b>30</b>	<b>100.00</b>

Source: Field survey, 2018

**Table 4.2: Gender Distribution**

Response	Frequency	Percentage
Male	20	71.43
Female	08	28.57
<b>Total</b>	<b>28</b>	<b>100.00</b>

Source: Field survey, 2018

**Table 4.3: Age Distribution**

Response	Frequency	Percentage
20 yrs and below	00	0.00
21-30 yrs	03	10.71
31-40 yrs	16	57.14
41-50 yrs	8	28.57
51 yrs and above	1	3.57
<b>Total</b>	<b>28</b>	<b>100.00</b>

Source: Field survey, 2018

**Table 4.4: Educational Qualifications of Respondents**

Response	Frequency	Percentage
Primary and below	1	3.57
SSCE	3	10.71
OND/NCE	9	32.14
HND/FIRST DEGREE	10	35.71
Masters	3	10.71
PhD	2	7.14
<b>Total</b>	<b>28</b>	<b>100.00</b>

Source: Field survey, 2018

**Table 4.5: No. of Years Worked**

Response	Frequency	Percentage
0-5 yrs	5	17.86
6-10 yrs	16	57.14
11-15 yrs	04	14.29
16 and above yrs	03	10.71
<b>Total</b>	<b>28</b>	<b>100.00</b>

Source: Field survey, 2018

**Table 4.6: Respective Work Departments of Respondents**

Department	Frequency	Percentage
Pastoral	13	46.43
Education	07	25.00
Evangelism	08	28.57
<b>Total</b>	<b>28</b>	<b>100.00</b>

Source: Field survey, 2018

**SECTION B:**

**Table 4.7: Whether Job Security Helps in Retaining Employees**

Factors	Level of Satisfaction (x)	Frequency(f)	Fx
Strongly agree	05	04	20
Agree	04	16	64
Undecided	03	05	15
Disagree	02	03	06
Strongly disagree	01	00	00
<b>Total</b>		<b>28</b>	<b>105</b>

Source: Field survey, 2018

$$\text{Mean} = \frac{\sum fx}{\sum f}$$

**Criterion:** we can accept a factor only when the mean  $\geq 3.2$ , otherwise.

**Frequency (f)** = Frequency of an answer

**Mean** =  $105/28 = 3.75$

**Analysis:** The decision rule is to accept or support the position if the mean score  $\geq 3.2$ , otherwise. From the above table, the study is accepting the position that, Job security can help in retaining employees since the mean score of the table above is 3.75 meaning that if there is job security in organisations; it can help in employees' retention. This signify that organisations should create an enabling environment for job security in their organisations to make the employees feel that they have a job that is secured and no need of looking for another job elsewhere.

**SECTION C:**

**Table 4.8. Employees' Opportunity for Training and Development Enhances Employees' Retention.**

Factors	Level of Satisfaction (x)	Frequency(f)	Fx
Strongly agree	5	07	35
Agree	4	16	64
Undecided	3	03	09
Disagree	2	02	04
Strongly disagree	1	00	01
<b>Total</b>		<b>28</b>	<b>112</b>

Source: Field survey, 2018

$$\text{Mean} = \frac{\sum fx}{\sum f}$$

**Mean** =  $112/28 = 4.00$

**Analysis:** The decision rule is to accept or support the position if the mean score  $\geq 3.2$ , otherwise. From the table above, since the mean score is 4.00, which are greater than 3.2, the study is accepting the position that provision of training and development to employees enhances their retention. This implies that organisations that would want to retain their employees should provide training and development to its employees because the study revealed that it is a motivating factor to employees' retention.

**Table 4.9: Employees' Recognition influences their Retention.**

Factors	Level of Satisfaction (X)	Frequency(f)	Fx
Strongly agree	5	03	15
Agree	4	17	68
Undecided	3	06	18
Disagree	2	02	04
Strongly disagree	1	00	01
<b>Total</b>		<b>28</b>	<b>106</b>

Source: Field survey, 2018

$$\text{Mean} = \frac{\sum fx}{\sum f}$$

$$\text{Mean} = 106 / 28 = 3.79$$

**Analysis:** The decision rule is to accept or support the position if the mean score  $\geq 3.2$ , otherwise. Table 4.9 above confirmed to us that employee recognition influences their retention since 3.79 is greater than 3.2. This implies that today's organisations should inculcate the use of employees' recognition in their organisations in order to retain and win the loyalty of their employees for a long time.

## V. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

### 5.1 Findings

Based on the research conducted, the following are the findings:

- i. Job security is a motivator towards employee retention.
- ii. Organizations that embark on provision of opportunities for training and development tend to retain their employees.
- iii. The more an organization uses employees' recognition, the more their employees would want to stay.

### 5.2 Conclusion and Recommendations

Nowadays, employees pay attention to non-financial incentives than before. Hence, employees tend to remain in their organisations as far as they are getting the right non-financial incentives. However, the study therefore recommended that:

- i. Organisations should understand that there is a positive relationship between job security and employee retention.
- ii. Furthermore, organisations should embark on improving employees' opportunities for training and development because it helps in retaining employees.
- iii. Finally, there should be a conscious effort on the part of the organization to incorporate the use of employees' recognition in their strategic plans because it was discovered to be significant in retaining employees.

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