

**The Effect of Financial And Non Financial Incentives On Staff Performance.**

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**Abstract:** *The purpose of this research is to determine the effect of financial and non-financial incentives on staff performance in Pennisula Resort, Lagos State. The population of the study comprises of 50 respondents, 10 management staff and 40 employees in Pennisula Resort Lagos State. The sample of the study consists of 25 respondents, (5 management staff and 20 employees) which were selected for the study using simple random sampling technique. The instrument used in gathering information for the study is a self constructed questionnaire prepared by the researcher titled The Effect of Financial and Non-financial Incentives on Staff Performance Questionnaire (TEFNISPQ). The instrument was validated by experts in financial institutions concerning financial and non-financial insentives. To ensure reliability of the study, the test re-test method was used. Frenquency tables and percentages was used to analyse the research questions, a criterion percentage of 50 was established. Any item above 50 was accepted if otherwise was also rejected. Findings from the study has shown that financial and non-financial incentives affect employee's performance. While financial incentives are critical to motivate employees in Pennisula make ends meet and better their socioeconomic status in unstable economy in Lagos where prices are rocketing and salaries cannot match with prices of goods and services, non-financial incentives also cannot be overemphasized. Based on the findings, recommendations were made, such as, the employer (management) should review and improve job guidelines and descriptions with employees (staff) and also adjustment in wages, allowances, retirement benefits, leave benefits and affordable housing scheme should be encouraged.*

**Keyword:** *Incentives, Financial Incentives, Non- Financial Incentives, Staff Performance*

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**I. Introduction**

Organizational success relies on its employee's productivity, therefore, the need to stress on elements that will impact on employees' motivation and performance for them to be productive is extremely paramount Liao (2007). The pivotal function of Human resource management is to implement practices that enhance the satisfaction of employees with their jobs. Employees expect financial and non financial rewards for their services and efforts. In the absence of equitable pay, training and development opportunities and recognition, employees get dissatisfied and do not perform to the standards. It has been generally accepted by organisational theorist that the key asset an organization can have is its human resources, however, the successful achievement of the goals of the organization will be subject to the proper deployment of the human resources within that organization. The responsibility of managers is to ensure that their employees are motivated in such a way that organizational goals will be met in order to get a competitive advantage over their competitors. Both public and private organizations need employees who are motivated so that they can be effective and efficient in the accomplishment of their various task and duties. Motivated employees work with enthusiasm toward the achievement of organizational goals. One important thing that comes in mind when the issue of motivation comes up is incentive. The idea of incentives triggers much consideration especially from the beginning of looking for qualified employees who are able to achieve effectively and efficiently organizational goals.

Financial and Non-financial incentives have always been a major problem for many organizations. This has been regarded as the very important issue that many organizations are looking forward to ensuring it succeeds. The staff member has to be retained in an organization because of various reasons. They include: long sewing employees in an organization gain experience and thus improve on their efficiency, costs of training and workshops are reduced, time wastage is minimized because of employees' experience. This has made it imperative for the management of an organization to guarantee that employees are retained, and the turnover is

reduced (Josephine, 2015). So it is evident that financial incentives are important in the motivation of executives, but it is not the only incentive used to achieve maximum results. So if the rewards are attractive and linked to performance people are motivated to take action. The intended effort is expected to turn into actual effort when people believe their hard work will result in a good reward. In addition to financial rewards, the job itself must be appealing for the individual to make up a type of reward. One has to get the satisfaction that the job itself is good enough for him or her. Many still ignore that fact that no organization can survive without its workers, and the workers themselves cannot be productive if their needs are not met. Managers of an organization motivate their workers to enable them to exhibit their potential skills and ability effectively for the achievement of the organizational goal and some of the things they do to motivate their workforce is by providing their psychological, social, love, esteem and self-actualization needs (Eboh, 2013). Other non-financial incentives such as price, job promotion, upgrading and advancement, job security and recognition may go a long way to advance the confidence of workers. If workers needs are satisfied, it might lead to an increase in output. Nevertheless, every manager regardless of the size of the organization can incorporate motivation into the environment to stimulate and influence employee. Based on the above, therefore the study investigated financial and nonfinancial rewards on staff performance.

In many organizations, management motivates, rewards, develops and trains their employees and these lead to improved productivity of the worker. Challenges often arise either because those assigned to handle this responsibility are corrupt or may neglect to handle it appropriately. If employee motivation is not given a serious attention, it might suppress creativity, leading to low productivity, and absenteeism and the organization might have low competitive advantage.

The study therefore seeks to identify the effect of financial and non-financial incentives on staff performance in Peninsula Resort, Lagos State. The study will answer the following research questions:

- 1) What are the financial and non-financial incentives used in the Peninsula Resort Lagos State.
- 2) What is the effect of financial incentives on staff performance in Peninsula Resort Lagos State.
- 3) What is the effect of non-financial incentives on staff performance in Peninsula Resort Lagos State.

## **II. Review of Related Literature**

### **Concept of Performance**

Performance describes various measures of the efficiency of production. Performance is expressed as the ratio of output to inputs used in a production process, i.e., output per unit of input. Productivity is a crucial factor in the production performance of firms and nations. Increasing national productivity can raise living standards because more real income improves people's ability to purchase goods and services, enjoy leisure, improve housing and education and make businesses to be more profitable. There are many different definitions of output, and the choice among them depends on the purpose of the productivity measurement and/or data availability (Armstrong, 2016).

### **Incentives**

According to Palmer, (2012) defines incentives as the external temptations and encouraging factors that lead the individual to work harder; they are effective when he or she feel satisfied in the organization. Practically, incentives refer to all the concrete and moral methods institutions give in order to positively encourage the employees in a way that increase the production rate and enhance the employee's performance, which has its importance in satisfying the employee's desire and guarantee a loyal attitude towards the institution. Incentives give the need to enthusiasm of employees greater output. A person who expects a reward as an incentive will be difficult to be given financial incentives. There are other driving forces that push an individual to perform better in the organization; this may consist of career development, job promotion, work security and recognition for achievement.

Staff performance: is defined as the outcome or contribution of employees to make them attain goals while performance may be used to define what an organization has accomplished with respect to the process, results, relevance and success Uganda National Development Program (2015). Afshan (2012) define performance as the achievement of specific tasks measured against predetermined or identified standards of accuracy, completeness, cost and speed. Employee performance can be manifested in improvement in production, easiness in using the new technology, highly motivated workers.

### **Financial Incentives**

The financial incentives are pay, bonuses, fringe benefits, transportation facility, medical facility, health and life insurance and benefits like vacation with pay meal facilities.

**Pay:** Pay is an approach that rewards higher performing employees with additional pay sometimes called incentive pay. Pay help the employer differentiate between the performance of high and low performing

employees and reward the performance of the high performers. This can aid in retention because no organization wants to lose best performers (Susan M. Heathfield, 2018).

**Bonuses:** Bonus pay is the sum of money employers give to employees beyond their existing wages (Mike Kappel, 2018). Bonuses come in various forms and there have been arguments as to the reasons why most organizations prefer to use bonuses to motivate their workforce. The reason why most organizations prefer the usage of bonuses is that they are the easy way to thank the workers. Bonus can also increase employee morale and motivate workers to reach goals. When employees are happy, the organization is primed to perform better than ever (Mike Kappel 2018). The purpose of motivating through bonuses is also carefully linked to the purpose of supporting the employees' happiness in relation to the organizations.

**Wages and Salaries:** Motivation of employees comes in several ways and salary is a major contributory factor to motivation. People are often motivated by money so the salary a worker is paid by the employer can have a great influence on his performance in the organization. A worker does not simply view his salary as a dollar amount, he or she sees it as the value his or her employer places on him or her as a worker. The level of appreciation he feels can have a direct impact on his overall performance. A worker is more likely to be motivated and perform well if he/she is happy about the salary he/she is earning. A person earning a high salary feels motivated to do a good job, because he/she wants to please the employer to retain the position. The salaries most of the time brings to the employees the feeling of security and allow them to feel accomplished and give them a high-status ranking that they enjoy (Laura Woods, 2019). (Bowen et al., 2008), support the notion that salary is a motivating factor. In their research conducted on quantity surveyors in South Africa and their findings indicated that salary, advancement in career, individual satisfaction and acknowledgements were some of the factors that were motivating enough. The quantity of cash an individual gets at the end of the month has the potential of becoming the utmost forecaster of a person's stimulus.

**Vacations with Pay:** The Organization ensures the wellbeing of an employee by offering them vacations with pay. If employees have been working for longer duration more than seven years only they are eligible for seven, fifteen and twenty years. These vacations can be advantageous for the employees who need extra time to care for aging parents or fulfil other assignments.

**Pension:** A deferred income that workers gather during their working lives and that belongs to them after specific time duration. When an employee reaches a certain age of 21 and have completed one year of service, they are entitled to company pension plan. The objective behind pension plan is to motivate and retain the employees. It is offered for rewarding employees for staying with the organization until retirement. Employees are disqualified for the pension award if they leave or are fired before retirement.

### **Non-financial Incentives**

This is compensation given in a transaction which does not involve cash. A non-monetary reward can consist of almost any material object such as jewelry, precious metals or an automobile for example. In business, a non-financial incentives can also be a service such as improvements made on a property or repairs done on a car (Business Dictionary, 2018). In employment, it is a reward to an employee other than extra pay. Many non-financial incentives are company cars, recognition, training, job promotion. However, an employee may be rewarded, for example, by being given a better office or a bigger budget to control, or by being given the choice of where to take a posting in a company. Non-financial incentives can be very cost effective for companies because, in contrast with a pay increase, little or no income tax or national insurance contributions are paid.

Non-financial incentive programmes and reward programmes structured to motivate positive behaviour change through means other than money motivate and retain employees; a motivated employee will achieve a great deal. A demotivated employee will be slow, horizontal to error and not likely to achieve. Non-financial incentives helps to build feelings of confidence and satisfaction in employees and can be very important for their long-term effect (Armstrong, & Brown, 2016).

### **Recognition**

Recognition is the demonstration of appreciation for a level of performance, an achievement or a contribution to an objective. It can be confidential or public, casual or formal. It is always in addition to pay (Pitts, 2005). Employees also need recognition because it is a strong non-financial motivator. Some employees are just moved by the fact that their boss will always appreciate they do well and also encourage them when they face some challenges. Individuals also like to share their achievements with others and have it recognized and celebrated. When this need is satisfied, it works as an excellent motivator. If employers rely on a financial incentive alone to recognize contribution and achievement it is most possible that the employee's objective will become modified to secure the pay and nothing more and this in turn will lead to a degraded culture of the organization. When used correctly recognition is a cost-effective way of enhancing achievements and enable people to feel involved in the company culture (Pitts, 2005).

**Training**

There is a positive relationship between the training and staff performance. staffs adapt new skills and technology at the training program. A training program that starts needs assessment and then inconsistency between the actual and standard performance of trainee is analyzed. Acquiring new skills and abilities motivate workers to perform well in an organization. Most people are driven to give out the best of themselves to achieve organizational goals if they know there is a training program in that organization. Training has a positive impact on the staff motivation. The lack of training will result in ignorance of the manager about the skills, competencies and knowledge that are decisive for the performance improvement and motivation. Organizations conduct training programs due to dynamic changes in the business environment which increases the motivation of employees. As a result, the employees are promoted due to the training provided to them Roscoe, J., (2002). Organizations which spend more on training of the employee are more developed as the human resource training enhances the productivity more than any other resources.

**Job Promotion**

In the view of (Robbins, 2008), upgrading is the progression of a worker’s level or position in an organization’s hierarchical order. Advancement in work might be an individual’s motivation for a job well done. An event to promote an individual to a certain rank guarantees that individual employee is capable of handling the extra duties. Promotion chances are the degree of potential occupational mobility within an organization. Promotional chances also reduce turnover since an employee can stay on hopefully eyeing a vacancy. Promotion of staff is a motivator in the sense that an employee is satisfied even as he performs his duties.

**III. Research Methodology**

**Research design**

This is a descriptive study, which involves collection and analysis of the primary data collected with the help of structured questionnaires.

**Population and sampling technique**

The population of this study consists of fifty (50) staff in peninsula Resort Lagos State. The simple random sampling technique was used to obtain a sample size of 25 respondents which consist of 5 management staff and 20 employees in peninsula Resort Lagos State, constituted the sample for the study.

**Research instrument**

The research instrument used in gathering data for the study is a self constructed questionnaire prepared by the researcher titled The Effect of Financial and Non-Financial Incentives on Staff Performance Questionnaire (TEFNISPQ). The questionnaire was structured into two (2) sections A and B. Section A was for demographic information and Section B contained 15 questions of Likert type eliciting responses on financial and non-financial incentives on Staff Performance in peninsula Resort Lagos State.

**Method of data analysis**

The tools used for data analysis are frequency table and percentages. For decision making, 50% would be used any item that attained a response above 50% will be accepted otherwise it would not be accepted.

**IV. Results**

**Research question one:** What are the financial and non-financial incentives used in the Peninsula Resort Lagos State.

To answer this question, respondents’ reactions to questionnaire were collated and analysed. The result is shown in the table below.

**Table 1: Responses on Research Question 1**

N=25

S/N	STATEMENTS (The following financial and non-financial incentives are practiced in the organization)	Yes	%	No	%	Decision
1	Pay	25	100	-	-	Accepted
2	Bonuses	18	72	7	28	Accepted
3	Pension	-	-	25	100	Rejected

4.	Vacation with Pay	5	20	20	80	Rejected
5.	Medical care	15	60	10	40	Accepted

Criterion % = 50

The results in Table 1 above indicate that all respondents are of the view that pay, bonuses, and medical care were all the financial and non-financial incentives they enjoyed for their performance in Peninsula Resort in Lagos State. Although from the table, it is observed that respondents did not enjoy pension as a financial incentives to boost performance, while only members of top management enjoyed vacation with pay as a financial incentives for better performance.

**Research question two:**What is the effect of financial incentives on staff performance in Peninsula Resort Lagos State.

To answer this question, respondents’ reactions to questionnaire were collated and analysed. The result is shown in the table below.

**Table 2: Responses on Research Question 2**

N=25

S/N	STATEMENTS	Yes	%	No	%	Decision
1	When I am paid as at when due, it encourages me to perform better.	25	100	-	-	Accepted
2	Bonuses are given for my extra effort to work.	8	32	17	68	Rejected
3	Pension is being provided, to prepare us for retirement	-	-	25	100	Rejected
4.	Vacation with pay is given and helps boost my performance	4	16	21	84	Rejected
5.	Medical care is being provided by management to cater for the health of staff.	13	52	10	48	Accepted

Criterion % = 50

The results in Table 2 above indicate that all respondents are of the view that when payed on time it encourages them to perform better, and the medical care provided by management is also a form of encouragement they get concerning their health status. On the other hand, most respondents most especially the staff are of the opinion that bonuses are not given for hard work, pension shemes are not provided and vacation with pay is only entitled to management staff. Whereas, the respondents views concerning bonuses, pension and vacation with pay is ,these various financial incentives will help boost their performance as staff and also increase productivity.

**Research question three:**What is the effect of non-financial incentives on staff performance in Peninsula Resort Lagos State.

To answer this question, respondents’ reactions to questionnaire were collated and analysed. The result is shown in the table below.

**Table 2: Responses on Research Question 3**

N=25

S/N	STATEMENTS	Yes	%	No	%	Decision
1	When promoted on the job, it encourages me to perform better	25	100	-	-	Accepted
2	My company encourages training of staff for improve performance	15	60	10	40	Accepted
3	I am always recongined for a good performance	9	36	16	64	Rejected
4.	Comapany cars given has boost my performance of my duties	3	12	22	88	Rejected

5.	Medical care is being provided by management to cater for the health of staff.	13	52	10	48	Accepted
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**Criterion % = 50**

The results in Table 3 above indicate that all respondents are of the view that when promoted on their job it motivates them and increases their performance, when training and medical attention are also given it increases performance. On the other hand it is observed that respondents are not recognized for good performances and official cars are only given to top management to boost performance. In summary, all respondents are of the view that all the items of non-financial incentives are strong motivating factors to help increase their performance in the organization.

### **V. Discussion of findings**

Financial and non-financial incentives are very important for staff performance in organizations. For a very long period of time, it was commonly thought that financial incentive was the most powerful motivator. People went to work and did a good job in order to be paid a fair wage. If they work hard and long enough, that wage would increase, giving them additional pay. It was a full circle concept where Money= Motivation, Motivation= Work, Work= Money (Jennifer Foster, 2013).

Findings from the study show that elements of the financial and non-financial incentives exist in the organizations and have a positive impact on staff performance. never the less, there are some financial and non-financial incentives such as bonuses, pension, vacation with pay, medical care, recognition, training etc which are not adequately put in place for better staff performance. When used correctly recognition is a cost-effective way of enhancing achievements and enable people to feel involved in the company culture (Pitts, 2005).

The study also found out that there is an effect of financial incentives on staff performance in the organization. The items on the table addressed pay, bonuses, vacation with pay, medical care and pension as important elements to improving the quality of staff and their performances in the organization.

Finally the study sought to determine the effect of non-financial incentives on staff performance. From the items on table 3, it was observed that the items on the table for non-financial incentives is a great determinant to staff performance in the organization. It is obvious that when staff working conditions are alright, he/she will be happy to put in his/her best in his job and vice-versa.

### **VI. Conclusion**

The study has shown that financial and non-financial incentives affect employee's performance. While financial incentives are critical to motivate employees in Pennisula make ends meet and better their socio-economic status in unstable economy in Lagos where prices are rocketing and salaries cannot match with prices of goods and services, non-financial incentives also cannot be overemphasized. The study therefore concludes that when employers (management) pay attention to employees' (staff) financial and non-financial challenges, it will result to overall benefits of the organisation.

### **VII. Recommendation**

Based on the findings of the study, the following recommendations were made.

- 1) The employer (management) should review and improve job guidelines and descriptions with employees (staff).
- 2) Adjustment in wages, allowances, retirement benefits, leave benefits and affordable housing scheme should be encouraged.
- 3) Promotional opportunity should be done regularly as it would increase staff performance.
- 4) Audit should be carried out regularly so as to customize in service training for the various categories of employees in order to offer them an opportunity to improve and develop their conceptual, human relational and technical skills.

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