

## **An Empirical Investigation of Rewards and Employee Performance: A Case Study of Technical Education Authority of Pakistan**

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**Abstract:** It is an investigation of relationship between rewards and employee performance in Technical Education Authority of Pakistan. Extrinsic rewards used in study are formal recognition, promotion and compensation and intrinsic rewards are appreciation, challenging work and freedom. Dependent variable is employee performance. Sample of 300 is selected by using random sampling approach. Data has been collected through questionnaires and response rate of questionnaires is 80 percent. Data has been analyzed using descriptive statistics, Pearson's coefficient of correlation and linear regression. Results proven that extrinsic rewards does not have much substantial influence on performance of employee, influence of intrinsic rewards on employee performance is moderate, substantial and it is also interesting to note that intrinsic and extrinsic rewards have different influences on performance of employee, intrinsic rewards have higher impact on employee performance than extrinsic rewards in Technical Education Authority of Pakistan.

**Key words:** Employee performance • Extrinsic rewards • Intrinsic rewards • TEVTA

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### **INTRODUCTION**

Most of the organizations are concerned with finding and exploring factors that affect employee performance because employee performance is one of the most critical factors in overall performance of organization. A number of factors can affect employee performance like rewards and motivation. The concept of motivation is not new and it provides a link between rewards and employee performance. Since 1950's, researchers are trying to find out reason of differences in performance of employees that's why they started exploring field of motivation. During this time, early models of motivation were devised. These models beautifully describe relationship among needs, rewards and motivation. Maslow divided the needs into two categories: lower order needs and higher order needs. His point of view was that extrinsic factors fulfill lower order needs and intrinsic factors results in the fulfillment of higher order needs. In his theory, [1] also identified the presence of motivation and hygiene factors. He presented the concept of satisfaction and dissatisfaction in relation to motivation and hygiene factors. All the extrinsic factors are hygiene factors and intrinsic factors are motivational factors. So it was clear in

his theory that hygiene factors are associated with demotivation and motivators are responsible for creating feelings of motivation [2] applied the concept of Herzberg and almost attained the same results. McGregor identified two types of people in terms of their motivation and performance. Theory X identified the people who were not self-motivated and they never intended to perform. Theory Y identified the people who were self-directed and had strong intentions for performance Motivation is a process that determines the extent to which a human being is committed, dedicated and overcomes all hurdles and obstacles in attaining a goal [3]. A reward is a general term and it is a consequence of services provided by the employee to the organization. Rewards can be extrinsic, financial or tangible and it can be intrinsic or intangible that may relate to only the feelings of employee towards the organization. To enhance employee's motivation and performance both financial and non-financial rewards are important and organizations must understand these interrelationships [4-6]. Rewards especially financial ones create feelings of motivation or demotivation that affects employee's level of performance [7]. It can be said that intrinsic rewards create intrinsic motivation to perform and extrinsic rewards create extrinsic motivation to perform.

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Performance means the extent to which employees complete their task out of the total mentioned objective. Performance varies from employee to employee. Some individual characteristics determine performance among that most important is human competence.

This research aims at exploring the relationship among rewards and employee performance. How rewards affect employee motivation? How motivation affects employee performance? What is the relation between rewards and employee performance? What are the factors that lead to rewards?

The intent of present study is to find how rewards affect employee performance in Technical Education and Vocational Training Authority of Pakistan? This study is quantitative in nature. Data collection method will be structured questionnaire and sample will be chosen by using random sampling technique. For analysis of data, study will imply descriptive statistics, multiple regression analysis and coefficient of correlation. Results will be interpreted and conclusions will be drawn.

**Literature Review:** It is a general perspective that motivation creates desires to perform as [8] described that motivation is a procedure that puts pressure on a person to enhance efforts and persistence towards achieving goals [9] described that different factors affect employee's level of performance at workplace [10] stated that motivation is something that forces a person to pursue some goals. To find the impact of rewards on organizational goals, [11] initiated a research in UK. Rewards (tangible & intangible) were taken as independent variable and dependent variable was organization's goals. Secondary sources were applied for data collection and case study approach was used in combination of simple percentages for data analysis. Researcher concluded that rewards have great influence on employee's motivation and performance. When employees show high levels of performance, organizations automatically direct towards goal attainment. It was also reported by Macaulay and [12] that rewards and recognition affects employee's motivation level and motivated employees provide good quality of services.

Previously researchers focused on just performance-rewards relationships but [13] conducted a research on central bank of Nigeria, Abuja to examine relationship between rewards and employee performance. In this study, independent variables were intrinsic and extrinsic rewards and dependent variable was employee performance. They used random sampling technique to

select sample; collected data through questionnaire and analyzed data by Pearson's coefficient of correlation. It was finding of study that there exists strong and significant relationship between extrinsic rewards and employee performance while the relation between intrinsic rewards and employee performance was insignificant. Employees of Nigerian central bank were more motivated to perform by extrinsic financial rewards. Researchers concluded that organizations must carefully develop reward structure because rewards affect employee's level of motivation and this affects employee's level of performance.

Researchers focused on finding association of rewards with many factors like job satisfaction, employee engagement, motivation and performance [14] found that call center employees were more motivated by financial extrinsic rewards than intrinsic rewards [15] is of the view that organizations need proper salary, compensation and reward structure in order to reduce turnover costs [16] determined the strong relationship between rewards and employee engagement [17] stated that intrinsic rewards are also equally important as extrinsic rewards [18] investigated relationship between rewards and employee performance in Kedah and reported insignificant relationships [19] reported that both intrinsic and extrinsic rewards have strong influence on employee motivation levels [20] proved strong noteworthy relationship between motivation and job satisfaction [21] also assumed rewards as independent variables and motivation as dependent variable and tried to explore the relation between these variables in hospitals of Addis Ababa. Results showed that effect of rewards on employee motivation is strong. Most of the employees are driven by salary [22] observed presence of demographic variables as moderators and employee's motivation level varies with the differences in demographic variables.

[23] have taken both intrinsic & extrinsic rewards as independent variables and job satisfaction as dependent variable. It has been found that financial rewards have much influence on job satisfaction than nonfinancial rewards. Demographic variables affect employee's level of job satisfaction.

In study of [24] dependent variable was employee performance and independent variables were intrinsic and extrinsic rewards. Both primary and secondary sources were used to collect data and sample selected through stratified technique. For analysis, researchers applied Descriptive statistics, Pearson's correlation analysis, ANOVA and t-test. Analysis exposed that an increase in intrinsic and extrinsic rewards will result in increase in

performance also. It was determined that to enhance the motivation and performance of employees a combination of both intrinsic and extrinsic rewards must be provided.

[25] explored relation between rewards and employee engagement by taking intermediate role of motivation in the retail store operations of Delhi. Both primary and secondary sources were used for data collection. Data analyzed through regression analysis, Pearson's correlation analysis and independent sample t-test. Findings showed positive relation between rewards and motivation. It was also determined that motivation and employee engagement are moderately correlated.

Many researchers from Pakistan have also put their efforts in exploring area of rewards, motivation and employee performance. In the study of [26] independent variables were rewards & recognition and dependent variables were motivation and satisfaction. Data collection method was questionnaire, data analyzed by using Pearson's coefficient of correlation and multiple regression analysis. It was reported that employees are happier and internally driven to work when they receive good financial and nonfinancial incentives.

According to [27] and [28], impact of extrinsic rewards has been found stronger on employee motivation and satisfaction than intrinsic rewards. [29] studied influence of rewards on employee job satisfaction level with the restrained impact of demographic variables in Pakistan. Data collected through questionnaire and analyzed by using multiple regression analysis and Pearson's coefficient of correlation. Results established convincing relationship between rewards and job satisfaction of employees.

A few Pakistani researchers also assessed the impact of rewards on employee performance. [30] exhibited strong connection among all the variables except employee recognition and performance.

A research conducted by [31] reported that relationship between extrinsic rewards and employee performance is strong and positive whereas relation between intrinsic rewards and employee performance is weak and insignificant, organizations can internally motivate their employees by giving them proper financial rewards and people are more concerned with financial rewards than nonfinancial ones. If people are more motivated then it will positively influence their performance.

**Background of the Research:** It is important to note that in Pakistan only a few studies have been done in this area and no prior research in Pakistan uses the variables extrinsic rewards (formal recognition, promotion and

compensation), intrinsic rewards (Appreciation, challenging work and freedom) and employee performance in the same model. Also no research explores relation between rewards and employee performance in Technical Education Authority of Pakistan. So there exists a gap and there is a strong need to investigate the variables in the context of Technical Education Authority of Pakistan.

**Objectives of the Study:** It is an objective of the study to:

- Investigate the impact of extrinsic rewards on employee performance in Technical Education Authority of Pakistan
- Investigate the impact of intrinsic rewards on employee performance in Technical Education Authority of Pakistan
- Provide recommendations to practitioners of Technical Education Authority of Pakistan.

**Scope of the Study:** In general, it will provide a good insight into the area and future researchers can get a stance from where they will enhance their research. This study will also be helpful for government of Punjab because it will contribute in finding the factors that can enhance performance levels of employees of Technical Education Authority of Pakistan.

**Theoretical Framework**

**Theoretical Model:** Figure 6.1 describes the research model of study. In this study, independent variables are intrinsic and extrinsic rewards. Extrinsic rewards are further divided into formal recognition, promotion and compensation. Intrinsic rewards are appreciation, challenging work and freedom. Dependent variable is employee performance.

**Hypotheses:** As discussed in literature review findings of [3, 7, 8, 30, 14, 19, 20, 15, 17, 10, 31] (Stredwick, 2000; Ajila and Abiola, 2004; Suff, *et al.*, 2005; Zakaria, *et al.*, 2011; Aktar, *et al.*, 2012; Qureshi, *et al.*, 2010; Hafiza, *et al.*,

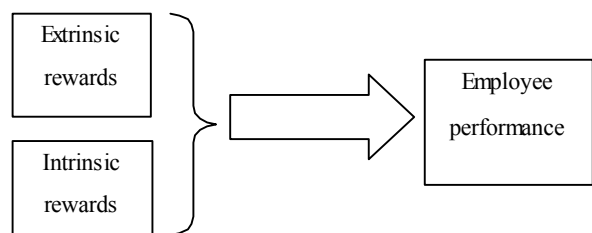


Fig. 1: Research model

2011; Ali and Ahmed, 2009; Danish and Usman, 2010; Pratheepkanth, 2011; Khalid, *et al.*, 2011 and Jehanzeb, *et al.*, 2012) all reported significant relations between extrinsic and intrinsic rewards and employee performanceso therefore it can be predicted that:

H<sub>1</sub> = There is a relation between extrinsic rewardsand employee performance in Technical Education Authority of Pakistan

H<sub>2</sub> = There is a relation between intrinsic rewards and employee performance in Technical Education Authority of Pakistan

**Research Methodology:** This study follows case study approach given by Yin (2003) [32]. “Case study research helps to investigate a contemporary phenomenon within its real-life context” (Yin, 2003). TEVTA has been selected for applying approach of case study. TEVTA is Technical Education Authority of Pakistan. Technical Education Authority of Pakistan has 49 technical and 318 vocational institutes all over Punjab and it has more than ten thousand employees. The design of the study will follow the case study method by Yin (2003) [32] and includes the five components he deemed necessary “research questions, hypothesis, unit of analysis, data collection, data analysis and interpretations”. So this section will cover five components of case study given by [32]Yin (2003). Hypotheses have been discussed earlier.

**Research Questions:** Research questions of the study are:

- To what extent extrinsic rewards affect employee performance in Technical Education Authority of Pakistan?
- To what extent intrinsic rewards affect employee performance in Technical Education Authority of Pakistan?
- What are different recommendations for practitioners of Technical Education Authority of Pakistan?

**Unit of Analysis:** Unit of analysis is individual not the organization means employees working in Technical Education Authority of Pakistan will be the unit of analysis.

**Data Collection Method:** Sample of 300 employees from Technical Education Authorityhas been drawn by using random sampling approach. For data collection, self-designed structured questionnaire has been used that contains four sections: first section contains biographical

Table 1: Reliability coefficients

Scale	Cronbach alpha coefficient	No. of items
Extrinsic rewards	0.735	4
Intrinsic rewards	0.805	5
Employee performance	0.788	2

information, second section contains questions related to extrinsic rewards, third section related to intrinsic rewards, fourth section contains questions on performance appraisal. All items were measured on Five points likert scale with one very dissatisfied, two for dissatisfied, three for neutral, four for satisfied and five for very satisfied. A sample item for extrinsic rewards included “Receiving formal recognition for your efforts in making a difference”;the chances for advancement on this job; your overall salary package; your housing benefit. The overall reliability for items was 0.735. A sample item for intrinsic rewards included feeling that your work is valued and appreciated; the praise you get for doing a good job; your work is challenging; the chance to do something that makes use of your abilities; the feeling of accomplishment you get from the job; the freedom to use your own judgment. The overall reliability for items was 0.805. Sample items for employee performance includes: your trust in performance appraisal system; your performance in the last year and reliability for this measure is 0.788. Questionnaires were distributed to 300 employees out of those 240 questionnaires have been returned so the response rate is 80 percent.

Table 1 summarizes scale along with their values of Cronbachalpha coefficient and number of items. Scales have good reliability coefficients because all values are more than 0.7.

**Data Analysis Method:** Data has been analyzed by using SPSS 16.0 and descriptive statistics, correlation and regression analysis have been applied. Upcoming section includes results and interpretations.

## RESULTS

Table 2 describes that out of 240, 121 are male respondents and 119 are female respondents. Percentage of male is 50.4 and female are 49.6%. So it can be said that male and female respondents are almost in equal percentages. In the age group 18-25, 7.9% respondents belong to this group, majority of respondents belong to age group 26-35 that is 44.2%, remaining 32.1% are from age group 36-45 and 15.8% are 46 and above. It describes that 12 respondents are have just matric education that is 5%, majority of the respondents are diploma holders

Table 2: Respondent's organizational and demographic profile

Variable	Category	Frequency	Percentage
Gender	Male	121	50.4
	Female	119	49.6
Age (Years)	18-25	19	7.9
	26-35	106	44.2
	36-45	77	32.1
	46 and above	38	15.8
Tenure (Years)	1-less than 3	32	13.3
	3-less than 5	39	16.2
	5-less than 10	68	28.3
	10-less than 15	25	10.4
	15-less than 20	32	13.3
	More than 20	44	18.3
Education level	Matric	12	5.0
	Diploma	183	76.2
	BA/B.sc	25	10.4
	MA/M.sc	18	7.5
	Others	2	0.8
Marital status	Single	57	23.8
	Married	183	76.2
Employee category	TEVTA	14	59.2
	Government	98	40.8

Table 3: Pearson's coefficient of correlation matrix for key variables in the study

Variable	ER	IR	PR
ER	1.0000		
IR	0.272** (.000)	1.0000	
PR	.084 (0.193)	.436** (.000)	1.0000

\*\* Correlation is significant at the 0.01 level (2-tailed), N = 240, ER=Extrinsic Rewards, IR=Intrinsic Rewards, PR=Performance, Significance level is shown in parenthesis in bold face

Table 4: Multiple-regression of independent variables on employee performance

Independent variable	Parameter estimate	Standard error	t-value	P
Extrinsic rewards	-0.037	0.079	-0.607	0.544
Intrinsic rewards	0.446**	0.074	7.353	0.000

N=240, Adjusted R Square = 0.185, F = 28.079, overall model significance = 0.01 level

76.2% of total respondents, 10.4% have completed graduation, 7.5% have sixteen years of education and 0.8% have acquired some other education. 57 respondents are single and 183 are married or it can be said that 23.8%

Table 5: Summary of hypothesis results

Hypothesis	Results
H <sub>1</sub> There is a relation between extrinsic rewards and employee performance in Technical Education Authority of Pakistan	Not accepted
H <sub>2</sub> There is a relation between intrinsic rewards and employee performance in Technical Education Authority of Pakistan	Accepted

are single and 76.2% are married. Technical Education and Vocational Training Authority of Pakistan has two types of employees: TEVTA and government. 142 respondents (59.2%) are TEVTA employees and 98 (40.8%) are government employees. In this table, 32 respondents (13.3%) are in 1-less than 3 years of service group, 39 respondents (16.2%) are in 3-less than 5 years of service group, 68 respondents (28.3%) are in 5-less than 10 years of service group, 25 respondents (10.4%) are in 10-less than 15 years of service group and remaining 44 (18.3%) belong to more than 20 years of tenure.

Table 3 shows that association between intrinsic and extrinsic rewards is positive but weak and significant. Extrinsic rewards and employee performance are not significantly related. Intrinsic rewards and employee performance has moderate positive and significant relationship at 0.01 level.

Table 4 represents results of predictors of employee performance. Extrinsic rewards explain only 0.7% of variation in employee performance while intrinsic rewards explain 19% variation in dependent variable employee performance. Both intrinsic and extrinsic rewards jointly explain 18.5 percent of the variation in employee performance. Because cross-sectional data has been used for analysis that's why value of adjusted R square is 18.5 percent. Extrinsic rewards have weak inverse and insignificant impact on employee performance. Intrinsic rewards have significant direct and moderate impact on employee performance. F value is 28.073 that is greater than 5 and shows the goodness of model fit.

From correlation and regression analysis, first hypothesis: "There is a relation between extrinsic rewards and employee performance in Technical Education Authority of Pakistan" is not accepted because its correlation with employee performance is not significant and its p value is also greater than 0.01 and t value is less than 1.95. Second hypothesis: "There is a relation between intrinsic rewards and employee performance in Technical Education Authority of Pakistan" is accepted because of the significant value of coefficient of correlation and its p value is also less than 0.01 and its t value is also greater than 1.95. Intrinsic rewards have higher significant impact on employee performance than extrinsic rewards in Technical Education Authority of Pakistan.

## CONCLUSION

This research investigated relation between rewards (intrinsic and extrinsic) and employee performance in Technical Education Authority of Pakistan. From results of frequencies and descriptive statistics it is clear that respondents represent both gender, all age-groups, have different kinds of educational backgrounds, represent both marital status, employee category and have different years of service. So the sample is good representative of population. Results of correlation showed moderate significant relationship between intrinsic rewards and employee performance; extrinsic rewards do not have significant association with employee performance and also intrinsic and extrinsic rewards are significantly related to each other. From regression analysis: first hypothesis was not accepted and second hypothesis was accepted so it can be concluded that extrinsic rewards does not have strong worthy relationship with employee performance in Technical Education Authority of Pakistan while intrinsic rewards have moderate direct and worthy relationship with employee performance in Technical Education Authority of Pakistan.

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