

**A Study On The Relationship Between Monetary Employee Benefits And  
Motivation**

**(with reference to Information Technology companies in Chennai)**

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**Abstract**

*This study examines the relationship between Monetary Employee benefits and Motivation. Benefits could be monetary or non-monetary. The study is considered significant since the measurement of motivation itself is subjective and varies from time to time and from employee to employee.*

**KEYWORDS:** *Employee, Benefit, Motivation, Monetary*

**INTRODUCTION:**

Like any other industry, the motivation level of employees in an Information Technology (IT) company is determined by the benefits offered. The benefits may be monetary or non-monetary, immediate or accrued. Some benefits are indirect employee motivators.

The benefits that motivate employees vary from employee to employee.

The demographical factors such as age, marital status, family status and so on also determine on what benefits motivates the employees. Also, the determinants of an employee's motivation are not the same at all times.

Every organization should have a watch on the level of motivation of employees on a regular basis. This is because the motivation level of an employee determines several important parameters like his/her productivity, attitude towards his supervisor and team members, absenteeism, engagement level in the assigned work, attitude towards work and participation towards the welfare of the organization.

A motivated employee also motivates his/her co-workers. The success of any organization in the long run lies in the employees being engaged. Communication of benefits to employees is as important as providing the benefit.

Monetary benefits no doubt motivate the employees. Few components of an employee's pay structure are fixed while few others are flexible. These components are revised on a regular basis. The monetary benefits provided to the employees should be equitable in the organization. Also, the benefits provided by companies must be on par with the competitors.

### **REVIEW OF LITERATURE:**

**Research by Brown (1961)<sup>1</sup>**, suggests that money can reduce anxiety. People learn to become curious in the presence of a number of cues and signals signifying the absence

of money. Once money is obtained, cues disappear. Money therefore helps in reducing anxiety. A growing child learns the value of money at different stages. First is pairing of cues with pain, which arouses anxiety. In the second stage, this is associated with a variety of cues indicating lack of money. With repeated exposures, lack of money arouses anxiety and naturally, its availability helps reduce anxiety. We want more and more money because it can help us to reduce anxiety related to the pain of not having enough food, shelter and other needs important to us.

**Padaki and Dolke's (1970)<sup>2</sup>** study found adequate salary as the major dissatisfier among few other dissatisfiers. Another study conducted by them also found more or less the same as perceived dissatisfiers.

**Grant and Singh (2011)<sup>3</sup>**, two management professors from The Wharton School of the University of Pennsylvania, argue that traditional incentive schemes (stock options and bonuses) motivate and improve employee performance, but can have serious repercussions such as “unethical behavior, fuel turnover and foster envy and discontent.” They further explain that financial incentives are best used with the following three guidelines.

- when tasks are algorithmic in nature and generally not interesting
- when the financial incentives are small and they work in coherence with major initiatives

-They also point out three important elements, based on Daniel Pink's research that the workplace should incorporate to raise productivity: autonomy, mastery and purpose.

**Ederer and Manso's, (2011)<sup>4</sup>** study titled "Is Pay for Performance Detrimental to Innovation?" concluded that: The ideal incentive scheme that motivates employees' exploration is fundamentally different from standard pay-for-performance schemes implemented to motivate effort. Tolerance for early failure, reward for long-term success, commitment to a long-term incentive plan, excessive continuation and timely feedback on performance are important to motivate exploration.

**Azoulay, Graff-Zivin, Manso (2011)<sup>5</sup>**, Professors at Massachusetts Institute of Technology and University of California, Santa Barbara, published a paper titled "Incentives and Creativity: Evidence from the Academic Life Sciences" indicating that long term rewards rather than short term rewards helped to motivate scientists in their work and to promote creativity. The application of this study suggests that short term rewards that are common in many companies may not help in motivation of employees in the long run and hinder innovation.

**Prubhjit Kaur Mahal (2012)<sup>6</sup>** in his research paper directly reveals the high mean value of the salary between organizational commitment and organizational performance. Salary plays a crucial role in influencing the commitment among

employees. When the employees are given fair wages, it will result in a cordial relationship between the employer and employee.

**A.Subhiva M. Selva Kumar & B. krishnaveni (2012)<sup>7</sup>**, in their study, directly measured the employee's attitude regarding the benefits provided by the spinning mills. Bonus and incentives increase the employee's involvement and decrease the conflicts among the employees.

### **Objectives of the Study:**

The following are the objectives of the study:

1. to identify the factors of employee benefits and motivation
2. to find the relation between employee benefits and motivation among the employees in IT companies

### **Hypotheses:**

1. The factors of employee benefits and motivation do not differ significantly.
2. There is no relation between employee benefits and motivation.

### **Methodology:**

Top three Information Technology companies were considered for the study. Respondents were from Wipro Technologies Limited, Infosys Technologies and

Cognizant Technology Solutions. The following 3 steps Research Methodology were applied to conduct this research. They are:

1. Pre-test
2. Pilot study
3. Main study

In the first stage of pre-testing and measures compilation, the researcher thoroughly investigated literature reviews and obtained statement and scales from previous researchers. These statement and scales were compiled systematically to ascertain employee opinion on benefits and motivation. The further refinement of these statements was done in the pre-test stage. The researcher obtained 30 responses from the employees of IT companies and Cronbach's Alpha method was applied. It was found that Cronbach Alpha co-efficient was 0.897 which is above the benchmark value of 0.75. Therefore, the questionnaire passed pre-test procedures and then entered into pilot study stage.

In the second stage, the researcher collected 50 responses from the employees of IT companies and the procedure is subject to the refinement through exploratory factor analysis. At this point, meticulous care was taken to verify the cross loadings among the factors. The crossed variables were identified and removed from the analytical domain. This further refines the statements in the questionnaire considered for research.

In the final study stage, the researcher collected 100 responses from top IT companies in Chennai city. Convenience sampling method was found suitable to obtain the responses with significant perceptual variance among the employees of IT companies. In this stage, the researcher applied Confirmatory Factor Analysis and Linear Multiple Regression Analysis simultaneously to identify the pre-dominant factors of employee benefits, motivation and the respective relationships.

**Analysis and Discussion:**

The application of Confirmatory Factor Analysis AMOS software and the researcher obtained the following model fit.

**Model: Total Variance Explained**

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	3.59	4.99	4.99
2	3.52	4.89	9.88
3	3.43	4.76	14.65
4	3.25	4.51	19.16
5	3.06	4.25	23.41

6	3.03	4.21	27.63
7	2.82	3.92	31.55
8	2.81	3.91	35.47
9	2.76	3.84	39.31

**Extraction Method:** Principal Component Analysis.

The subsequent application of factor and Principal Component method and exploratory approach also confirmed the existence of 9 pre-dominant factors. They are:

1. Salary
2. Bonus
3. Increment on promotion
4. Incentives
5. Loan
6. Leave encashment
7. Profit sharing
8. ESOP
9. Allowances

The application of Exploratory Factor Analysis and Confirmatory Factor Analysis profoundly concluded the 9 monetary employee benefits factors with:

-chi-square model fit value of 6712.21

-Comparative fit index (CFI) of 981

-Goodness of fit index (GFI) .890 and root mean square error of approximation RMSEA.055

**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.85
Bartlett's Test of Sphericity	Approx. Chi-Square	6712.21
	Df	25
	Sig.	.000

All of them are within the benchmarks and statistically significant at 5 percent level of significance. After obtaining the 9 factor scores, the researcher related them to the level of satisfaction of employee benefits which is otherwise called motivation. The employee benefits and motivation are exhaustively related through linear multiple regression analysis as shown in the table below.

**Table: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.043(a)	.38	.38	.7995

From the above table, it is found that all the R<sup>2</sup> values are greater than .3. This implies that all the 9 monetary employee benefits factors are found to influence motivation factors.

**ANOVA (b)**

Model		Sum of Squares	df	Mean Square	F	Sig.
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1	Regression	41.99	15	2.799	4.379	.000(a)
	Residual	182.84	286	.639		
	Total	224.83	301			

The regression fit  $f$  value = 4.379,  $p$  value = 0.000 further confirmed the existence of unique relation between employee benefits and motivation. In fact, the monetary employee benefits and motivation are well related to validate the present research.

### **Findings and Conclusion:**

After the rigorous statistical analysis, the researcher found that in IT companies, the employees depend upon the 9 pre-dominant factors. In ranking these factors, the researcher was able to distinguish them into short term and long-term monetary benefits. As far as the employees' perception is concerned, they perceived equal importance to both short-term and long-term monetary benefits.

This leads to the acceptance of the hypothesis that the factors of employee benefits and motivation do not differ significantly. It shows that employees in IT companies give equal importance to both short-term and long-term monetary benefits. The Regression analysis further revealed the existence of relationship between employee motivation and benefits. This does not support the hypothesis which subsequently leads to the rejection of the hypothesis that there is no relation between employee benefits and motivation. The employees are continuously motivated to show that involvement and optimistic contribution to the productivity of companies are

through attractive employee benefits prevailing in the organization. Hence, companies should focus on short term and long-term monetary benefits as well as non-monetary benefits.

**GAPS IN REVIEW OF LITERATURE:**

There exists a vast literature review in the area of Motivation and Employee benefits contributed by both Indian and foreign authors in several industries. These reviews add tremendous value to researchers in the area of Human Resource Management (HRM).

Such research studies usually through structured questionnaire or interviews (either in person or telephonic conversation) are conducted during a certain period. The period could be for 3-6 months or sometimes a year. At the end of the period the studies are concluded. To bring more meaning to such research studies, the study should be repeated a couple of times for extended periods. This will clearly bring out changes in the level of motivation of employees in an organization. Also, the subject of the research studies should be the same to bring consistent results. Conducting of research studies over a period of several years is certainly time consuming. It requires a lot of persistence and follows up.

Although there exists extensive research studies on Motivation and Employee benefits, there are still gaps in the same. Research studies on Motivation level of an employee influenced by various employee benefits are certainly subjective in nature. Anything subjective is difficult to be measured. Expectations of employees keep

changing based on time. Moreover, advancement in technology, family circumstances, family composition and choice of employees also determine the benefits that motivate them.

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