Full Length Research Paper

Non–Financial rewards and continuance commitment: A study of the manufacturing industry in Nigeria

Etozuo, O.N. and Umoh, G.I.

Department of Management, Faculty of Management Science, University of Port Harcourt, Port Harcourt

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The study examined the effect of Non-financial rewards on Continuance Commitment in the Nigerian manufacturing industry. A total of 370 employees were randomly drawn from a population of 3390 employees of the 31 manufacturing companies in Nigeria. The instruments used for data collection were questionnaire and oral interview. A total of 225 copies of the questionnaire were retrieved and analyzed. Spearman’s Rank Correlation Statistical tool was used to test the hypotheses. The findings revealed that Non-financial rewards is significantly related to economic exchange and few alternatives. Based on these findings we concluded that Non-financial rewards has significant influence on Continuance Commitment. The study therefore recommends that management should utilize the rewards management programme that is valued by employees to attract and retain the right people to the organization.

Key Words: Non-financial rewards, Continuance Commitment, Economic exchange, Reward management.

INTRODUCTION

Organizational members who are observed as committed contribute positively to the organization. Cohen (2003) asserts that organizations whose members have higher levels of commitment show higher levels of interest and passion which further enhances their performance and productivity and contributes to lower levels of absenteeism and tardiness. This implies that employees with a high level of commitment tend to take greater efforts to perform and invest their resources in the organization (Saal and Knight, 1987). Other positive effects of commitment include feelings of affiliation, attachment and citizenship behavior, which tend to improve organizational efficiency and effectiveness (Williams and Anderson, 1991). Results from empirical studies reveal that the absence of commitment can reduce organizational effectiveness (Cohen, 1993). Furthermore, a committed employee perceives the value and importance of integrating individual and organizational goals. The employee thinks of his or her goals and the organization’s goals in personal terms. Commitment can be considered an important factor and has received a significant worth in studies being carried on in different work settings, because it has been considered as a major factor in determining the organizational performance (Ricketta 2002) and effectiveness (Laschinger 2001).

Namutebi (2006), examined the association between reward management practices and the job commitment of secondary school teachers in Wakiso District, and empirically found out that when teachers are rewarded non-financially through things like recognition and assigning them with responsibilities, their job commitment increases more than that of teachers who are only rewarded through monetary incentives. This is as Newman, et. al. (2012), studied the effect of organizational rewards on employee commitment and found that employees high in traditionality were observed to show higher levels of affective commitment when autonomy and satisfaction with supervision was low. When autonomy and satisfaction with supervision was high employees low in traditionality exhibited higher levels of emotional attachment to the organization. Similarly, Ssali (2011), studied rewards and job commitment of primary school teachers and found that there was an insignificant correlation between financial rewards and job commitment, (b) there was positive significant correlation between non-financial rewards and job commitment of the said teachers. In another study,
Wright (1992) investigated the relationship among non-monetary incentives and goal level, commitment, his findings reveal that non-monetary reward positively relate with goal level commitment of employees. Employees who were praised, recognized, and promoted on the job were committed on the job than their counterparts who were not committed on the job. One of the main strategies that may produce the most notable results is effective use of reward management. There is the need for manufacturing companies to ensure that the contribution of people to their organization is recognized by both financial and non-financial means, in order to spur, motivate, and retain them.

Much emphasis, through research, has been placed on non-financial benefits and its effect on continuance commitment in the past decades (William and Anderson 1991, Wright 1992, Cohen 1993, Saal and Knight 1997, Laschinger 2001, Ricketta 2002, Cohen 2003, Namutebi 2006, Ssali 2011, Newman et al 2012) however, despite these number of studies, little empirical studies exist on non-financial benefits and its effect on continuance commitment in the manufacturing industry in developing countries especially in Nigeria. To bridge this gap, this study examines the effect of non-financial benefits on continuance commitment in manufacturing organizations. By exploring the relationship between non-financial benefits and continuance commitment, organizations can enhance their competitive advantage and effectiveness.

LITERATURE REVIEW

Non-Financial Rewards

Non-financial rewards are the non-monetary gains that influence people through non-material rewards like; giving more responsibility, promotion, praise and recognition in public (Musaazi 1982). However, Maicibi (2007) in his definition of the non-financial rewards includes indirect financial rewards arising from work itself, such as: achievement and autonomy. Such non-monetary rewards are believed in one way or the other to affect job commitment either negatively or positively. Bratton and Jeffrey (1988) argue that non-financial rewards tend to attract highly qualified and competent people who are too committed to the achievement of Organizational goals. According to Armstrong (2009) talking on the role of non-financial rewards in enhancing employees’ commitment and performance on the job observed that “essentially the notion of total reward says that there is more to rewarding people than throwing money at them”. Non-financial rewards can make workers more comfortable on the job. It encourages them to contribute extra effort by developing a deal that addresses a broad of issues. Armstrong (2007) adds that creating a fun, challenging and empowered work environment in which individuals are able to use their abilities to do meaningful jobs for which they are shown appreciation is likely to be a more certain way to enhance motivation, commitment and performance. Maicibi (2003) identified three main types of non-monetary rewards that is, the need for power, need for affiliation and need for achievement. If an Organization is to make its employees committed on the job they need to give them power in form of promotions and too they should be accepted on the job through recognition, Musaazi (2005) observes that absence of effective reward strategy that considers the needs of employees and their aspirations demoralizes them leading to low job commitment.

Ahuja (2002) stresses that in Organizations there must be transparent promotional policies to keep employees efforts and minds directed on the job. Luthan, Suzanne and Peterson (2006) looked at the impact of non-monetary rewards (incentives on the business unit outcome and commitment of employees amongst support staff of Virginia Polytechnics Institute and they found out that there was a positive relationship between non-monetary incentives and employee Organizational commitment. When employees were provided non-monetary rewards like housing, flex time, telecommunicating, vacation, learning and development opportunities, recognition of achievements, tasks for or other assignments and sincere praise their Organizational commitment increased and the reverse was true. Wright (1992) in a study about the relationship among non-monetary incentives and goal level, commitment in South Florida found out that non-monetary rewards positively relate with goal level commitment of employees. Employees who were praised, recognized, and promoted on the job were committed on the job than their counterparts who were not committed on the job. Armstrong (2001) noted that money is not everything for employees for instance they need additional things to make them committed in their jobs.

Continuance Commitment

Continuance commitment is generally defined as willingness to remain in an organization because of personal investment in the form of nontransferable investments such as close working relationships with co-workers, retirement investments and career investments, acquired job skills which are unique to a particular organization, years of employment in a particular organization, involvement in the community in which the employer is located, and other benefits that make it too costly for one to leave and seek employment elsewhere. Continuance commitment evolved from Becker’s (1960) side-bet theory, which posits that employees maintain membership with their organization as a way to preserve accumulated side-bets (e.g., pension). This extrinsic form of commitment derives from instrumental principles that are based on compliance (O’Reilly and Chatman, 1986).
Compliance entails behaviors that are initiated and maintained in order to satisfy external constraints, such as obtaining a reward or avoiding a loss (Becker et al., 1996). Because Continuance Commitment derives primarily from external constraints (i.e., rewards and punishments delivered by one self-sources), this form of commitment is not self-determined (Gagne’ and Deci, 2005). It is, however, important to note that while the perceived bond underlying employees’ Continuance commitment to the other party is not self-determined (i.e., it exists as a means to other ends), the ends themselves may be intrinsically desirable (e.g., opportunities for personal growth) and valued for reasons other than compliance-based motivations.

Meyer and Allen (1997) define continuance commitment as “awareness of the costs associated with leaving the Organization”. It is calculative in nature because of the individual’s perception or weighing of costs and risks associated with leaving the current Organization (Meyer and Allen, 1997). Meyer and Allen (1991) further stated that “employees whose primary link to the Organization is based on continuance commitment remain because they need to do so”. This indicates the difference between continuance and affective commitment. The latter, affective commitment entails that employee’s stay in the Organization is because they want to. Romzek (1990) describes continuance commitment as a transactional attachment. He argues that employees calculate their investment in the Organization based on what they put in and what they stand to gain if they remain with the organization. In addition to the fear of losing investments, individuals develop continuance commitment because of perceived lack of alternatives. Continuance commitment therefore reflects a calculation of the cost of leaving versus the benefits of staying.

Continuance commitment (CC), involves appraisals of personal investments tied to one’s current employment and the availability of employment alternatives (Meyer and Allen, 1984). Employees with strong CC maintain their current employment because it provides them with desirable personal outcomes that they are unwilling to forego or because they perceive a lack of employment opportunities elsewhere. Continuance commitment can be regarded as an instrumental attachment to the Organization, where the individual’s association with the Organization is based on an assessment of economic benefits gained (Beck and Wilson, 2000). Organizational members develop commitment to an Organization because of the positive extrinsic rewards obtained through the effort-bargain without identifying with the Organization's goals and values. The strength of continuance commitment, which implies the need to stay, is determined by the perceived costs of leaving the Organization (Meyer and Allen, 1984). Best (1994) indicates that “continuance Organizational commitment will therefore be the strongest when availability of alternatives are few and the number of investments are high”. This argument supports the view that when given better alternatives, employees may leave the Organization. Meyer et al (1990) also maintain that “accrued investments and poor employment alternatives tend to force individuals to maintain their line of action and are responsible for these individuals being committed because they need to”.

This implies that individuals stay in the Organization, because they are lured by other accumulated investments which they could lose, such as pension plans, seniority or Organization specific skills. The need to stay is “profit” associated with continued participation, and termination of service is a “cost” associated with leaving. Tetrack (1995) support the profit notion by describing the concept continuance Organizational commitment as “an exchange framework, whereby performance and loyalty are offered in return for material benefits and rewards”. Therefore, in order to retain employees who are continuance committed, the Organization needs to give more attention and recognition to those elements that boost the employee’s morale to be effectively committed. The “exchanged-based definition” (Alluto, Hrebiniak and Alonso, 1973) holds that individuals are committed to the Organization as far as they hold their positions, irrespective of the stressful conditions they experience. However, should they be given alternative benefits, they will be willing to leave the Organization. Continuance commitment is also associated with the compliance stage of organizational commitment, where the employee is calculative with the need to stay in the Organization when evaluating the rewards (Beck and Wilson, 2000). It centralizes around the employee accepting the influence of others mainly to benefit from them, through remuneration or promotion (O’Reilly, 1989). At this stage, attitudes and behaviours are adopted not because of shared beliefs but simply to gain specific rewards. This implies that at this stage employees stay in the Organization because of what they receive (Meyer and Allen, 1997).

**Measures of Continuance Commitment**

Taing et al., (2011) supported two dimensions of continuance commitment; Economic exchanges (EE) and few alternatives (FA).

**Economic Exchanges (EE)**

Economic exchanges are defined as commitment that develops when an employee perceives desirable economic exchange opportunities at their current job. (Taing et al., 2011). This type of commitment is based on the perception that the organization provides favorable economic exchanges (Shore, Tetrack, Lynch, and Barksdale, 2006). Investments can be either work related or non-work related, and commitment to an Organization can be developed as employees make side
bets/investments which would be lost if employment to
their Organization was terminated (Meyer and Allen,
(1991) have the same viewpoint as Meyer and Allen
(1991) that commitment to an organization increases as
the magnitude of employee investments within that
Organization increase. Costs associated with leaving an
organization may include a wide variety of entities, some
of which are measurable and others which are more
intangible. Some measurable losses may be in the area
of salary, accrued vacation, retirement investment
or pension plan, health insurance, life insurance, and
company-sponsored items such as a vehicle or cellular
telephone. Intangible losses may include transferability of
skills, transferability of education, seniority, status, and
job security.

Few Alternatives (FA)

Few alternatives is defined as commitment that develops
when an employee feels a sense of being trapped in their
current position (Taing et al., 2011). The lack of
alternatives element states that the more specific an
employee’s skills become to a particular organization the
less likely they will leave (Scholl, 1981). Clugston et al.
(2000) felt that employees’ perceptions regarding their
alternative job prospects and the cost associated with
leaving their current Organization have an effect on the
employees’ continuous commitment. Rusbutl and Farrel
(1983, in Meyer and Allen, 1991) also showed that
commitment increased as the attractiveness of alternative
job prospects decreased. Meyer and Allen (1991) and
Iverson and Buttigieg (1999) in Yu and Egri, (2005) are in
agreement with the above views and they state that
continuous commitment will develop as a function of a
lack of alternative job opportunities.

Non-Financial Rewards and Continuance
Commitment

Several studies have indicated that non-financial rewards
are positively related to employee satisfaction which
logically leads to commitment. This can be supported
with the word of Steers (1977) who contended that those
individuals whose needs are satisfied by an Organization
are more likely to reciprocate by developing more
commitment to that Organization. The study conducted
by War (1956 cited in Cole, 1997) on non-financial
rewards and its effect on teachers’ commitment in Britain
demonstrated that money is not the sole reason for
working. A large sample of men and women were asked
as whether they could continue working if it were not
financially necessary. Sixty nine percent of the men and
sixty five percent of women revealed that they would
carry on working even if it were not financially necessary.
The study showed a positive correlation between non-
financial rewards and commitment. In the same way,
Namutebi (2006) in a study about reward management
practices and job commitment of secondary school
teachers in Wakiso District empirically found out that
when teachers are rewarded non-financially through
things like recognition and assigning them with
responsibilities, their job commitment increases more
than that of teachers who are only rewarded through
monetary incentives. Pragya (2008) described the
relationship between non-financial rewards and
employees satisfaction and told that non-monetary
rewards increase the satisfaction of the employees.
Dambisya, (2007) investigated that the use of
nonfinancial incentives for health worker leads to
satisfaction of employees. Steven et al, (2001) revealed
that major promotion systems typically practiced in
businesses increases the satisfaction of the employees.
Kostea, (2006) concluded the association of
promotions and promotional point of view on job
satisfaction. Result shows that a promotion in the
previous two years improve the possibility an employee
will be very satisfied. It is also accomplished that impact
of promotion on job satisfaction is independent from any
related wage raise. The results depict that manager may
be able to exercise promotions as a new technique to
increase employee satisfaction. Ira Feder,(1999)
explained that Job enrichment is a qualitative change to a
job that enhance the influence of job, allow employees to
have a better tasks and feed back in working
environment they also studied that this process provides
greatest extent of intrinsic job satisfaction.

Tippet (2009) established that non-financial rewards
are the helpful instrument to enhance the satisfaction of
the workers. Stovall, (2003) conducted research on non-
financial rewards and worker job satisfaction and
research told that an effective reward package could
have an important impact on the employee’s
performance. They explained that non-financial rewards
motivate workers which lead to job satisfaction. Douglas
et al, (1991) had conducted research on the job
satisfaction of older personnel. He found that the old
workforce is more satisfied with their job rewards than
young workers. According to Kalleberg (1983), job
satisfaction raises with the age, the old workers have
greater satisfaction than new employees. From the
foregoing the following hypothesis were derived.

$H_0_1$: There is no significant relationship between non-
financial rewards and economic exchanges.

$H_0_2$: There is no significant relationship between non-
financial rewards and few alternatives.

RESEARCH METHODOLOGY

This correlational study was conducted as a cross-
sectional survey. The study units for data generation
were employees in 31 registered and functional
The results show that there is no significant relationship between non-financial reward and economic exchanges. In connection with hypothesis 1, correlation analysis was conducted with economic exchanges as the dependent variable and non-financial reward as the independent variable. Results show that, \( r_s = 0.351, P < 0.05 \). The test of significance indicates that with \( p < 0.05 \) we can reject the null hypothesis that both variables are independent in the general population. This figure suggests that there is positive relationship between non-financial reward and economic exchanges. In other words, increase in non-financial reward is associated with increase in economic exchange in the manufacturing organizations studied. Thus, null hypothesis was rejected and alternative hypothesis accepted.

**HYPOTHESIS 2 (H02): There is no significant relationship between non-financial reward and few alternatives.**

Regarding hypothesis 2, correlation analysis was conducted with few alternatives as the dependent variable and non-financial rewards as the independent variable. Results show that, \( r_s = 0.401, P < 0.05 \). This figure suggests that there is positive relationship between non-financial reward and few alternatives. In other words, increase in non-financial reward is associated with increase in few alternatives in the manufacturing organizations studied. Thus, null hypothesis was rejected and alternative hypothesis accepted.

**DISCUSSION, IMPLICATIONS AND RECOMMENDATIONS**

The first and second hypotheses sought to examine the effect of non-financial rewards on the measures of continuance commitment, in manufacturing companies in

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**Table 1: Results of Spearman Correlations for Non-financial reward and Economic Exchanges.**

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<th>Exchanges</th>
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<tr>
<td>Spearman's rho Rewards</td>
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<td>.1000</td>
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<tr>
<td>Correlation Coefficient</td>
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<td>.004</td>
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<td>Sig. (2-tailed)</td>
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<td>.225</td>
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<td>N</td>
<td>225</td>
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Source: Survey data, 2016

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manufacturing companies in Port Harcourt and the micro-level of analysis was adopted. A sample size of 370 employees was determined using the Taro Yamen’s formula (Baridam, 2001). After cleaning, 225 copies of the instrument were used for the analysis. In selecting the respondents the simple random sampling technique was adopted. – A twelve-item scale was developed for Non-financial rewards.

The dependent variable is Continuance Commitment. The measures of Continuance Commitment adopted for this study are based on the earlier study of Taing, et el (2011) and includes economic exchange and few alternatives. Economic Exchange - A six-item scale was developed based on the 12 –item multidimensional scale developed by Taing, et al 2011. Few Alternatives - A six-item scale was developed based on the 12 –item multidimensional scale developed by Taing, et al 2011. A five-point Likert type scale was used (ranging from 5- strongly agree to 1- strongly disagree) for all.

For test of reliability of the scale, the following Cronbach’s alpha coefficients were obtained: Non-financial reward (0.90), Economic Exchange (0.88), Few Alternatives (0.85). In accordance with Nunnaly (1978) model, which recommends a bench mark of 0.70, the reliability levels of the study scale are acceptable. Spearman’s Rank Correlation Statistical tool was used to test the hypothesis. The result as presented was obtained.

**RESEARCH RESULTS AND FINDINGS**

Frequencies and descriptives were used in our primary analysis which focused on the study demographics and univariate analysis respectively. The results show that 64% of the respondents were males while 36% were females. 39% of the respondents have spent 0-9 years on their jobs while 28% have spent between 10 and 20 years. 33% of the respondents have spent over 20 years on their present employments. On educational qualification, we had the following distribution: 7% High School, 5% Diploma, 64% HND/BSc, 5% Masters. 6% of the respondents had stayed less than a year. 12% have stayed 1-2 years, 21% had stayed 3-5 years, 28% had stayed 6-10 years, while 33% had stayed 10 years and above.

**HYPOTHESIS 1 (H01): There is no significant relationship between Non-financial reward and economic exchanges.**

In connection with hypothesis 1, correlation analysis was conducted with economic exchanges as the dependent variable and non-financial reward as the independent variable. Results show that, \( r_s = 0.351, P < 0.05 \). The test of significance indicates that with \( p < 0.05 \) we can reject the null hypothesis that both variables are independent in the general population. This figure suggests that there is positive relationship between non-financial reward and economic exchanges. In other words, increase in non-financial reward is associated with increase in economic exchange in the manufacturing organizations studied. Thus, null hypothesis was rejected and alternative hypothesis accepted.

**HYPOTHESIS 2 (H02): There is no significant relationship between non-financial reward and few alternatives.**

Regarding hypothesis 2, correlation analysis was conducted with few alternatives as the dependent variable and non-financial rewards as the independent variable. Results show that, \( r_s = 0.401, P < 0.05 \). This figure suggests that there is positive relationship between non-financial reward and few alternatives. In other words, increase in non-financial reward is associated with increase in few alternatives in the manufacturing organizations studied. Thus, null hypothesis was rejected and alternative hypothesis accepted.
Nigeria. The hypotheses were that there is no significant relationship between non-financial rewards and measures of continuance commitment (economic exchanges and few alternatives). The hypotheses were tested using spearman rank correlation technique and from the analysis of collected data, a positive relationship was revealed between non-financial rewards and measures of continuance commitment. This finding is in line with the earlier findings of War (1956 cited in Cole, 1997) and Namutebi (2006) that found a positive correlation between non-financial rewards and commitment. This implies that in Nigeria, non-financial rewards are recognized and desired by employees for commitment and as part of their motivation package for a good job performance. The finding is also in line with Stovall, (2003) who conducted research on non-financial rewards and worker job satisfaction and reported that an effective reward package could have an important impact on the employee’s performance. He explained that non-financial rewards motivate workers which lead to job satisfaction. In conclusion we can say that the implementation of non-financial rewards significantly enhances employees’ continuance commitment (economic exchanges and few alternatives) within the Nigeria work environment and the manufacturing sector to be specific. We therefore recommend that management should include a good amount of non-financial rewards in their reward management programme to increase the employee’s level of commitment. The reward management programme should be reviewed from time to time to ensure that they give out a reward that is relevant to employee’s needs and aspirations.

REFERENCES


Table 2: Results of Spearman Correlations for non-financial reward and few alternatives.

<table>
<thead>
<tr>
<th></th>
<th>Rewards</th>
<th>Alternatives</th>
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<td>Spearman's rho</td>
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Source: Survey data, 2016
75:710-720.