

# The impact of a total reward system of work engagement



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**Orientation:** Work engagement is critical for both employees and employers. With the reported downward spiral of engagement levels worldwide, organisations are recognising that in order to address this, attract best talent and keep employees motivated, they need to shift their attention to total reward strategies.

**Research purpose:** The overall purpose of this study was to explore the relationship between total rewards and work engagement in a South African context and to determine which reward categories predict work engagement. The study further endeavoured to determine whether gender and age had a moderating effect on the relationship between total rewards and engagement.

**Motivation for the study:** Statistics report that less than 30% of all working people are optimally engaged in their work. Considering that individuals spend more than a third of their lives at work committing themselves emotionally, physically and psychologically – research indicates that employees are no longer satisfied with traditional reward systems and want to feel valued and appreciated.

**Research approach, design and method:** In this quantitative, cross-sectional research design using a non-probability convenience and purposive sampling strategy, 318 questionnaires were collected and analysed from financial institutions in Gauteng in which opinions were sought on the importance of different types of rewards structures and preferences, and how engaged they are in their workplace. The 17-item UWES and Nienaber total reward preference model were the chosen measuring instruments.

**Main findings:** A small statistically significant correlation ( $r = 0.25$ ;  $p < 0.05$ ; small effect) was found between total rewards and work engagement, and 12% of the variance of work engagement was explained. Only performance and career management significantly predicted work engagement.

**Practical/Managerial implications:** Although small, the significant correlation between total rewards and work engagement implies that total rewards are important motivators for employees in the workplace. Of the total rewards scales tested, only performance and career management significantly predicted work engagement, suggesting that more research is needed. Organisations seeking to implement total reward strategies should pay specific attention to which strategies have an impact on work engagement.

**Contribution/Value-add:** Organisations must take cognisance that factors such as performance and career management significantly predicted work engagement and should be considered as part of their total reward offerings.

## Introduction

Work engagement has become a critical aspect of study not only for individuals in the academic field but also for research practitioners and top management within organisations (Hewitt, 2015; May, Gilson & Harter, 2004; Schaufeli & Bakker, 2004; Sonnetag, 2011; Strümpfer, 2003; Werner, Stanz, Visagie & Wait, 2011). Engagement is a complex and multidimensional issue that affects various stakeholders and organisational outcomes.

The positive relationship between engagement and organisational outcomes such as increased performance, organisational effectiveness, customer satisfaction, employee satisfaction, productivity and reduced staff turnover has been widely reported (Evenson, 2014; Harter, Schmidt, Killan & Agrawal, 2009; Hicks, O'Reilly & Bahr, 2014; Schaufeli, 2013). According to Wrzesniewski, McCauley, Rozin and Schwartz (1997), individuals spend more than a third of their lives in their work. Engaged

employees are willing to involve themselves in their work entirely and employ emotional, intellectual and physical resources to achieve and complete their work tasks (Kahn, 1990). Work engagement is further characterised by an employee's level of vigour, effectiveness and participation in his or her work-role (Schaufeli & Bakker, 2004). Considering the importance of engagement from an organisational and individual point of view, it is clear that serious fluctuations in engagement levels can potentially have serious consequences for business outcomes as has been observed in several studies (Gallup, 2013; Haid & Sims, 2009; Rothmann, 2015a).

Research has shown that engagement levels worldwide are at critical levels (Hewitt, 2013; Gallup, 2013; Hay Group, 2013; Mindset Management Programs, 2014). In South Africa, the picture is equally dismal. The latest statistics have revealed that more than 80% of employees feel disconnected, 43% consider quitting their jobs and, according to Gallup Consulting, South African employees are amongst the most disengaged employees in the world (Rothmann, 2015b).

In the current economic context, it is therefore of utmost importance for organisations to find ways to motivate employees and boost their levels of engagement. In recent years, organisations have shifted their attention to total reward packages as a means of motivating employees and raising engagement levels (Giancola, 2007; HayGroup, 2015; Nienaber, 2010). The HayGroup (2015) views engagement as an exchange relationship. In exchange for extra effort and hard work, working longer hours, employees want to feel appreciated and valued. In other words, they want to see a direct correlation between what they put into the organisation and what they receive from it. It has become evident that traditional reward systems are no longer sufficient, as individuals no longer want to be rewarded for their work alone, but for the value that they add to the organisation (HayGroup, 2015; Zingheim & Schuster, 2008). This has resulted in a move away from previous focus areas looking at either extrinsic (Allen & Helms, 2001; Heneman & Coyne, 2007) or intrinsic rewards (Jacobs, Renard & Snelgar, 2014; Tsui & Wu, 2005) to a total reward approach, including an array of other factors seen as rewards (Hewitt, 2015; Nienaber, 2010; WorldatWork, 2010a).

Total rewards can be described as the sum of the values of each element of an employee's reward package and may include everything that employees view as important and of value within their jobs (Bussin & Van Rooy, 2014; Fernandes, 1998; Nienaber, 2010; WorldatWork, 2006). Reilly and Brown (2008) defined total rewards in terms of the value proposition the business has to offer to the employee:

a firm's entire employee value proposition, including direct and indirect financial rewards, positive characteristics of the work itself, career opportunities in the firm, social activities associated with the workplace, and a variety of other conveniences and services provided by the employer. (p. 4)

Work engagement is influenced by various types of rewards (Hewitt, 2015; McMullen, 2010; WorldatWork, 2010). WorldatWork (2010) reported in a global study that pay and benefits had a weaker relationship to encouraging work engagement than recognition, incentives and intangible rewards. A recent study by Hewitt (2015) reported that employees' perceptions of total rewards are related to their levels of engagement. He found that engaged employees had a far more positive view of the total rewards their employer offered in comparison with their less engaged counterparts. According to McMullen (2010), quality of work, leadership, career development, organisational culture and work-life balance all have a greater impact on work engagement than financial rewards. Work engagement is also driven by prospects such as recognition, growth and development, and opportunity to perform. These rewards are acknowledged over and above monetary rewards.

In recent years, a number of different total rewards models have been developed. For the purpose of this study, Nienaber's (2010) total rewards preference model has been selected on the basis of its multidimensionality and comprehensive view of total rewards. Total rewards will therefore be defined as the combination of various types of rewards, including: (1) base pay, (2) performance and career management, (3) contingency pay, (4) quality working environment, (5) benefits and (6) work-home integration.

Therefore, given the current challenges many organisations face with declining engagement levels, the primary purpose of this study was to investigate the relationship between work engagement and total rewards.

Some studies have also found evidence that gender differences exist in relation to reward structure (Murao, 2000). Blackburn, Jarman and Brooks (2000) suggest that gender segregation in terms of reward and wage structure is a major factor in identifying inequality in the economy. In contrast, Tam (1997) indicated that gender composition was not a factor that influenced salary and reward structures.

Various aspects of age have been reported. Previous research found that women are discriminated against in the workplace on the grounds of age (Duncan & Loretto, 2004; Granleese & Sayer, 2006). It seems that younger employees in the early stages of their career experience lower levels of engagement than do older employees (Antoniou, Polychroni & Vlachakis, 2006; Brewer & Shapard, 2004; Jackson & Rothmann, 2005; Patrick & Lavery, 2007). The reasons for disengagement being more prevalent in younger employees may be because of the lack of skills and experience in their new working environments (Ahola *et al.*, 2006; Duchscher, 2009; Ghorpade, Lackritz & Singh, 2007), as well as problems transitioning into a new environment (Patrick & Lavery, 2007). Overall, older employees seem to have higher levels of engagement than younger employees. However, certain older workers may also struggle to engage on a higher level, as they continuously compete with job demands and job resources in their jobs (Ten Brummelhuis, Ter Hoeven, Bakker & Peper, 2011).

Age and gender were therefore investigated as potential moderators for the relationship between total rewards and work engagement.

Lastly, reward packages are mostly offered as a one-size-fits-all solution to employees without much regard to which rewards are more effective for a particular organisation setting. A better understanding of which rewards are preferred by workers will lead to better informed and customised reward strategies, which, in turn, will lead to improved engagement.

## Research purpose and objectives

There is scarcity of research investigating specifically the relationship between total rewards and work engagement internationally as well as nationally. The main objective of this study was to explore the relationship between total rewards and work engagement in a South African context. The Nienaber's (2010) total reward preference model was used in this study. The following research questions were investigated:

- Research Question 1: What is the relationship between work engagement and total rewards?
- Research Question 2: Which reward category has the most influence and/or biggest impact on work engagement?
- Research Question 3: Do gender and age have a moderating effect on the relationship between total rewards and engagement?

## Literature review

As early as in the nineties, Kahn (1990) urged that because of the shift in organisational demands, it would be crucial to further examine work engagement and aspects that may contribute to an individual's level of work engagement. This study has identified that total rewards played a crucial role in understanding how individuals may engage in the workplace. To gain a broader understanding of how total rewards may affect work engagement, as well as the importance that individuals place on specific rewards, specific attention will be given to work engagement, total rewards, the different reward frameworks and how gender and age may impact the relationship between total rewards and work engagement.

## Work engagement

The engaged life is an important concept as individuals spend more than a third of their lives engaged in their work (Van Zyl, Deacon & Rothmann, 2010). Work engagement is defined as 'a positive, fulfilling, work related state of mind that is characterised by vigour, dedication, and absorption' (Schaufeli & Bakker, 2010; Schaufeli, Salanova, González-Romá & Bakker, 2002, p. 74). Furthermore, according to Rothmann and Rothmann (2010, p. 28), work engagement is the extension of the self whereby individuals are provided with the opportunity to express their '...preferred self in task behaviours that promote connections to work and to

others'. It is thought that this engagement occurs when individuals experience an optimum fit between themselves and their work roles.

Furthermore, Kahn (1990) identified three components that conceptualise work engagement: a physical dimension which refers to Schaufeli's concept of vigour, an emotional dimension which indicates an individual's commitment to his or her job and a cognitive dimension that is categorised by absorption (Schaufeli & Bakker, 2001; Schaufeli & Bakker, 2004). Vigour refers to increased levels of energy as well as mental resilience whilst working. Dedication is described as a strong immersion in one's work and is characterised by a sense of significance, enthusiasm, challenge, pride and inspiration (Schaufeli & Bakker, 2001). Absorption is characterised by being happily engrossed and fully immersed in one's work (Schaufeli & Bakker, 2001).

Engaged employees experience a psychological presence in the workplace which helps them develop a sense of identity (Rothmann & Rothmann, 2010). They are hands-on, dedicated to maintaining a quality performance standard and take responsibility for their own growth. Other research has found that individuals who are engaged in their work are more passionate, enthusiastic and happy (Schaufeli & Van Rhenen, 2006).

It is important to understand that organisations need to encourage and foster work engagement amongst employees in order to flourish and prosper during constant environmental changes (Shimazu & Schaufeli, 2009). Engagement occurs when individuals experience an ideal fit and identification between themselves and their work roles (Kahn, 1990). Work engagement aids in the contribution of employees' organisational dedication as the organisation equips employees with not only the necessary resources to achieve their work goals but also the opportunity to grow and develop in their work (Korunka, Kubicek, Schaufeli & Hoonakker, 2009). The opportunity for individuals to express their true selves as well as their strengths may 'lead to a greater work-role fit, which leads to work engagement' (Van Zyl *et al.*, 2010, p. 3). At an organisational level, levels of work engagement are a predictor of overall job satisfaction, level of productivity, commitment and lower level of turnover, therefore providing the organisation with an overview of how well the organisation is performing (Bakker & Demerouti, 2008; Bakker, Demerouti & Schaufeli, 2005; Richmond, 2006).

Work engagement is a complex and multidimensional construct. Although there are some similarities, it should not be confused with other constructs such as job satisfaction, involvement and commitment (Maslach, Schaufeli & Leiter, 2001, Schaufeli, 2013). According to BlessingWhite (2012), engaged people are fully aligned with the goals and objectives of the organisation with the aim to contribute, going beyond the sense of commitment. Researchers such as Maslach *et al.* (2001) noted that there was a clear difference between engagement and job



satisfaction when it comes to personal fulfilment and energy. Fulfilment and energy could be associated with engagement, but not so clearly in the other two constructs. It is therefore reasonable to argue that engagement is a unique construct and contains a deeper dimension of well-being, emotional and behavioural responses, such as experiencing joy and fulfilment at work (Crabtree, 2013, Hallberg & Schaufeli, 2006; Schaufeli *et al.*, 2002).

## Rewards

One of the key aspects seen as impacting employee engagement is rewards. According to Eric (1994), rewards can be defined as various different benefits that are offered to employees in exchange for work or value. Rewards may differ in that they may be intrinsic or extrinsic, direct or indirect, and financial or non-financial (Armstrong, 2006; Mahaney & Lederer, 2006; Mottaz, 1985).

According to Gross and O'Malley (2007), rewards now include the opportunity for career enhancement as well as the impact that the working environment may have on the individual. Organisations are required to propose both intrinsic and extrinsic rewards as a means of increasing organisational outcomes (Mahaney & Lederer, 2006). Many different reward systems may operate within organisations (Blackburn & Rosen, 1993). It is important to understand that a reward system will essentially impact individuals and team members' performance and engagement levels within the workplace. It is therefore crucial to implement an effective and efficient reward system based on each unique organisation's needs (Kerrin & Oliver, 2002).

Over the years, the reward systems have changed within organisations from merely financially remunerating individuals to motivating them in the workplace as well (Hankin, 2005). An organisational reward system should be designed to motivate employees in terms of higher performance, productivity, engagement and commitment levels. Furthermore, the rewards system should also match organisational strategies, goals and culture, as well as should ensure that organisations attract and retain their people (Allen & Killman, 2001). The alignment of the overall rewards system to organisational strategies will ensure workplace effectiveness, positive work outcomes and increased employee efforts (Bamberger & Levi, 2009).

Intrinsic and extrinsic rewards differ to a large extent. Intrinsic rewards focus on the job and work itself, whereas extrinsic rewards are external to the job and the work that surrounds the job. Intrinsic rewards include growth opportunities, a sense of accomplishment, status, acknowledgement, satisfaction, self-esteem, challenge, autonomy and responsibility (Mahaney & Lederer, 2006). An individual may derive intrinsic rewards through the ability to engage in challenging work, receive feedback and acknowledgement, as well as being provided with the opportunity for growth and development within his or her job (Mottaz, 1985). These employees will be able to produce results, yet at the same time remain engaged, satisfied and proud of their accomplishments (Mahaney & Lederer,

2006). Extrinsic rewards consist of pay, job security, benefits, promotions, raise in salary and bonuses (Mahaney & Lederer 2006; Mottaz, 1985). According to Goldsmith, Veum and Darity (2000), organisations remain competitive by continuously comparing their extrinsic rewards with other market players, thus ensuring higher levels of employee productivity, engagement, commitment to the organisation and lower turnover levels.

According to Bussin (2011), there are various disadvantages that accompany extrinsic rewards such as monetary rewards. Monetary rewards, including salary and bonuses, fall under extrinsic rewards. It is asserted that extrinsic rewards have the ability to decrease an employee's intrinsic motivation to do the job (Balkin & Dolan, 1997; Bussin, 2011). The use of extrinsic rewards as a motivator may lead to individual employees and team members becoming money hungry, causing them not to focus on the work itself any longer (Balkin & Dolan, 1997). Extrinsic rewards may also act as a poor motivator and are not directly linked to an employee's level of engagement and performance (Wruck & Jensen, 1998). On the other hand, extrinsic rewards are known to enhance productivity, increasing employee commitment to goals, decreasing turnover and attracting top talent individuals (Goldsmith *et al.*, 2000). Thus, people may be attracted to their jobs, solely based on pay (Stajkovic & Luthans, 2001). Extrinsic rewards may be beneficial in allowing organisations to value their employees' contributions through the distributions of cash bonuses and monetary rewards.

Long and Shields (2010) propose evidence that intrinsic or non-cash rewards have become more common within organisational practices. Many organisations that have adopted the practice of non-cash (intrinsic) rewards have the ability to recognise the individual employee as well as groups and teams within the organisation. These intrinsic rewards, whereby employees are recognised for their efforts, accomplishment and quality of work, ensure the commitment, engagement and motivation of employees and team members. It is now more evident that employees have the opportunity to make suggestions on the structure of the reward system within their own organisations (Allen & Killman, 2001). Sweins, Kalmi and Hulkko-Nyman (2009) propose that organisations should be obligated to explain to their employees how the reward system and structure works. Greater knowledge of the system is crucial in ensuring that employees understand what is expected of them.

The question is therefore proposed as to which rewards are the real motivators of work engagement. From a strategic perspective, it is crucial that an effective total reward system is designed to ensure greater employee and organisational outcomes.

## Total rewards

Total rewards are seen as the combination of various different rewards, including financial and non-financial rewards and intrinsic and extrinsic rewards, which are made accessible to

working individuals in exchange for their value-add in the workplace (Armstrong, 2006; Gross & O'Malley, 2007). There has been a change in defining rewards over the years, combining both remuneration and benefits, with the aim of attracting, retaining and motivating employees within the organisation (Armstrong, 2006; Hankin, 2005).

Various total rewards models and frameworks have been developed in recent years, offering different reward structures. Many of these programmes offer similar rewards and benefits. The WorldatWork model (2007) offers five main reward groups: (1) remuneration, (2) benefits, (3) work life, (4) performance and recognition, and (5) development and career opportunities. The Corporate Leadership Council (CLC) Total Reward Framework (2005) includes base pay, health and wellness benefits, leave benefits, retirement benefits, bonus and incentives, and family-friendly benefits in its model. Armstrong and Brown's total rewards model (2006) had a similar structure as that of WorldatWork, but it added an additional category of work experience. Zingheim and Schuster (2007) grouped their model into three categories: total pay, performance and/or people management and other types of rewards. Their model was especially popular because of their integration with other human resources processes and their attention to retaining critical talent. Nienaber's reward preference model (2010) was based on the integration of the existing models of the majority of reward categories of most of the prominent total rewards models (Armstrong & Thompson, 2002; CLC, 2007; Lawler, 1990; Milkovich & Newman, 1999; WorldatWork, 2007; Zingheim & Schuster, 2007). The different elements in each reward category were identified through a comprehensive literature review. The model consisted of six basic categories: (1) monthly salary or guaranteed remuneration, (2) variable pay, (3) benefits, (4) performance and career management, (5) quality work environment and (6) work-home integration:

- **Monthly salary and remuneration:** The pay that is provided by an employer to an employee for services incurred, including both fixed and variable pay, based on the individual's level of performance.
- **Variable pay:** This is also referred to as contingency pay. Variable pay is offered in different forms, including short- and long-term incentives. Short-term incentives are linked to the performance of the individual, the team or the organisation. Long-term incentive plans may include share option schemes, premium-priced share option schemes, share purchase plans, share appreciation rights and deferred annual bonus share plans.
- **Benefits:** Packages or programmes provided by an employer to an employee in order to supplement cash remuneration. Benefits may include income protection benefits, savings, health benefits, job security benefits and retirement programmes.
- **Performance:** The orientation of organisational, group and individual efforts, as well as the creation of employee expectations in order to move towards the achievement of organisational goals.

- **Career management:** Combined learning experiences with the aim of enhancing employees' skills, knowledge and competencies. Providing employees with the opportunity to grow and develop and advance in their careers. This type of reward encourages employees to become productive and engaged in their work.
- **Quality work environment:** Lawler, Nadler and Cammann (1980) describe quality of work and/or life as a focus on the individual, the work and the organisation, placing concern on the impact that work may have on people's lives whilst still placing a focus on ongoing organisational effectiveness.
- **Work-home integration:** The implementation of organisational policies and practices supporting employees towards their achievement of success and balance between work and home lives.

Nienaber's total reward preference model is presented in Figure 1.

## Moderating effect of age and gender on work engagement and total rewards

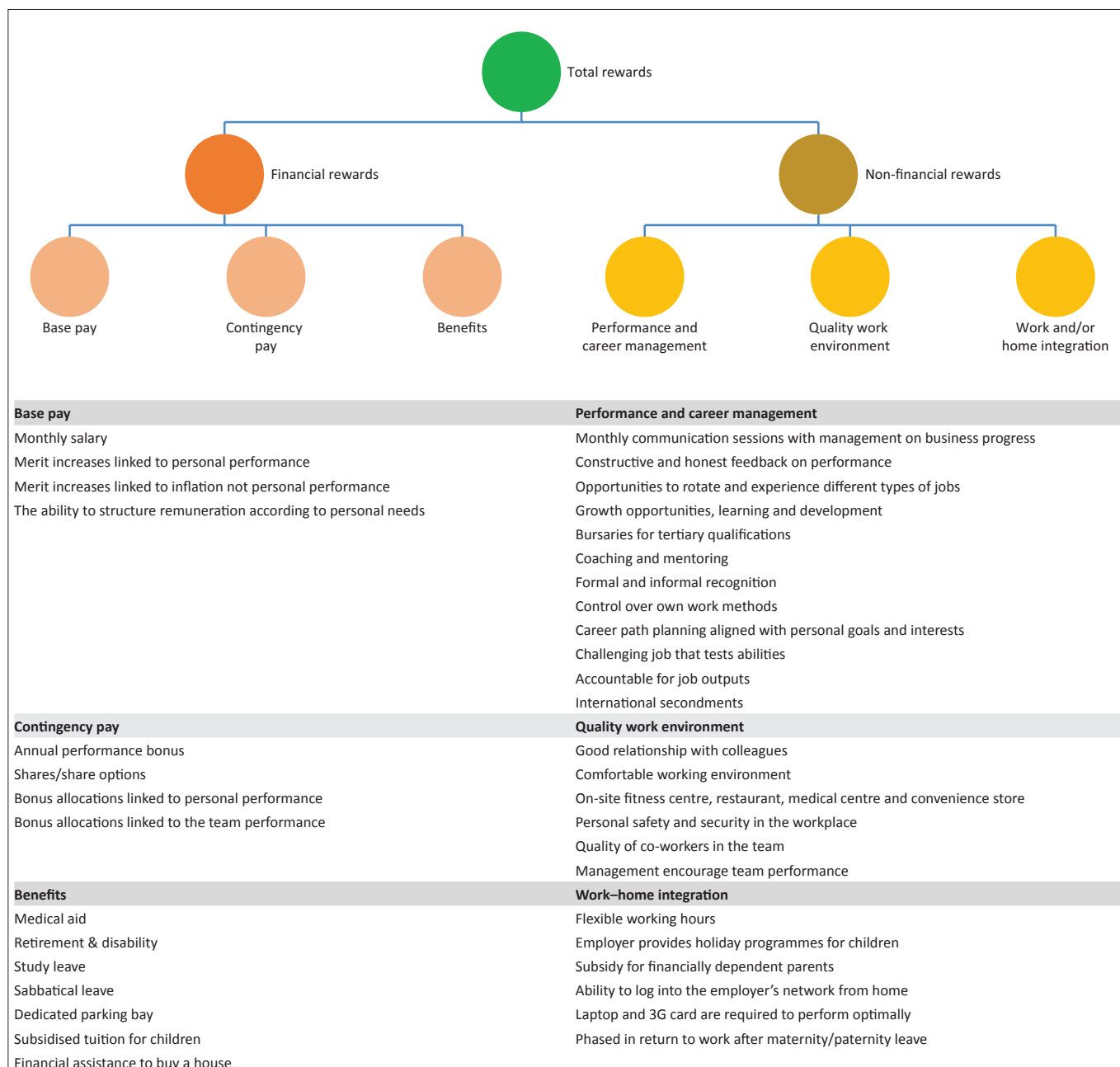
Many researchers have emphasised the idea that there are certain demographic variables that have an impact on and are essential to the understanding of the relationship between total rewards and work engagement (Antoniou *et al.*, 2006; Garner, Knight & Simpson, 2007). Age and gender, in particular, were highlighted as important variables in such studies (Garner *et al.*, 2007; James, McKechnie & Swanberg, 2011). For instance, Bussin and van Rooy (2014) found that there were significant differences amongst generational cohorts (as a function of age) in terms of reward preferences. The older generations preferred rewards such as fixed and long-term compensation, whereas their younger counterparts leaned towards variable pay and mixed structures.

In terms of the relationship between total rewards and gender, previous research indicated that gender differences existed in relation to reward structure, seen against the significant gender differences in wages that persist even though individual and job characteristics have been controlled for (Murao, 2000). Furthermore, studies have found that reward structures between men and women may differ because of the vast differences and choice in occupation. On the other hand, Tam (1997) indicates that gender composition is not a factor that influences salary and reward structures.

## Research design

### Research approach

A quantitative, descriptive, cross-sectional research design using a non-probability convenience and purposive sampling strategy was carried out in order to reach a large sample of participants in various financial institutions in Gauteng.



Source: Nienaber, R. (2010). *The relationship between personality types and reward preferences*. Doctor of Commerce dissertation. Johannesburg: University of Johannesburg. <http://dx.doi.org/10.4102/ac.v11i2.153>

FIGURE 1: Nienaber's total reward preference model.

Data were collected through the distribution of paper-and-pencil questionnaires.

## Research method

### Research participants

The participants of this study consisted of a random sample of 318 employees from various financial organisations based in Johannesburg, South Africa ( $N = 318$ ). The minimum criterion for participation in the survey was that individuals were required to have at least 1 year's working experience within each specific organisation of interest. Organisations were approached in order to gain permission and access to employees who were willing to partake in the study. Although convenience sampling was used as a method in

this study, studying financial organisations is beneficial as the research findings contribute significantly to the economy in the South African context. Financial organisations are seen as a large contributing factor to the wealth of the economy in South Africa and therefore contribute towards the understanding of a comprehensive layout of an organisational reward structure. A diagrammatic illustration of the sample is presented in Table 1.

The data showed that white people represented 55% of the sample, 65% was female and the majority of respondents fell into the age groups of 28–38 (35%), 18–27 (25%) and 39–48 years (22%). The most prominent position was made up of junior managers (21%). In terms of level of education, the biggest group had either a degree or diploma (44%).

**TABLE 1:** Demographic and biographical characteristics of participants ( $N = 318$ ).

Item	Category	Participants	
		Frequency	%
Gender	Men	110	34.6
	Women	208	65.4
	Missing values	-	-
Age	18–27	81	25.4
	28–38	111	34.8
	39–48	70	21.9
	49–59	41	12.9
	60+	14	4.4
	Missing values	1	0.6
Racial group	African	74	23.2
	Mixed race	23	7.2
	White	175	54.9
	Indian	36	11.3
	Asian	9	2.8
	Other	1	0.3
	Missing values	1	0.3
Current position	Trainee/intern	36	11.3
	Junior manager	67	21.0
	Middle manager	56	17.6
	Senior manager	33	10.3
	Executive	17	5.3
	Other	99	31.0
	Missing values	10	3.5
Level of education	Grades 8–11	13	4.1
	Grade 12	92	28.9
	Degree and/or diploma	140	44.0
	Postgraduate	65	20.4
	Other	8	2.6
	Missing values	-	-
Job family	Human resources	39	12.2
	Administrative	77	24.1
	Sales and service	52	16.3
	IT	18	5.6
	Process and project management	16	5.0
	Marketing	19	6.0
	Finance	42	13.2
	Consulting	20	6.3
	Other	32	10.9
	Missing values	3	0.4

IT, information technology.

## Measuring instruments

The questionnaire consisted of three sections, namely, Part A to Part C. Part A included a number of questions about respondents' demographic composition. Part B included the 17-item UWES developed by Schaufeli *et al.* (2002), which measured work engagement. A seven-point frequency point rating scale ranging from 0 (never) to 6 (always) was used. The construct of work engagement is consisted of three dimensions: vigour, dedication and absorption. Typical items within this scale included vigour – 'At my work, I feel that I am bursting with energy', dedication – 'I am enthusiastic about my job' and absorption – 'I am immersed in my work.' Storm and Rothmann (2003) obtained the following alpha coefficients for the UWES in South Africa: vigour:  $\alpha = 0.78$ , dedication:  $\alpha = 0.89$  and absorption:  $\alpha = 0.78$ . For the purpose of this study, the UWES scale was combined and used as a unidimensional scale, looking at total work engagement. Schaufeli and Bakker (2003) also pointed out that when the

focus is on the overall concept of engagement, the unidimensional version score can be used. Factor analysis also indicated a one-factor solution. According to Schaufeli and Bakker (2003), the 17-item total work engagement scale obtained an alpha coefficient of 0.93, which largely exceeds the acceptable cut-off point of 0.70 for reliability (Nunnally & Bernstein, 1994).

Part C included the total rewards preferences questionnaire developed by Nienaber (2010). A Likert scale ranging from 0 (not at all important, totally disagree) to 6 (extremely important, fully agree) was used. The reward subgroups consist of the following variables: (1) base pay, (2) contingency pay, (3) benefits, (4) performance and career management, (5) quality work environment and (6) work-home integration.

## Research procedure and ethical considerations

Participation in the study was voluntary. Participants were selected on the basis of their availability and willingness to partake in the study. Various financial institutions in Gauteng were approached to obtain permission to conduct the research within their organisations. Questionnaires were distributed through human resource managers in the organisations and participants were requested to seal their questionnaires in a clearly marked envelope (with the researcher's detail), but anonymously. The questionnaires were collected from the organisations after 2 weeks. Each questionnaire contained a cover letter which explained the purpose of the research, included a confidentiality clause and provided the assurance that participants can withdraw at any stage of the research and instructions on how to complete the questionnaire.

## Statistical analysis

Statistical analysis was carried out using the SPSS program (SPSS Inc., 2015). The captured data were inspected and prepared for analysis by looking at missing values and outliers. The data analysis techniques that were used included descriptive statistics, exploratory factor analysis (EFA), Pearson's product-moment correlations, multiple regression and reliability and split-half analyses. According to Nunnally and Bernstein (1994), Cronbach's alpha is acceptable at 0.70 level of reliability at preliminary stages of research, but should reach at least the 0.80 level of reliability (Netemeyer, Bearden & Sharma, 2008).

The skewness and kurtosis were examined to evaluate the distribution of the data and items that did not meet the cut-off points were discarded from further analysis. The cut-off scores for skewness and kurtosis are both  $< 2$  and  $< 4$ , respectively (Finch & West, 1997). Multiple regression analysis was conducted to determine whether total rewards predicted work engagement.

Multiple regression analysis was conducted to determine the relationship between the chosen demographic variables, total rewards and work engagement. Both homoscedasticity and multicollinearity were accounted for when conducting



multiple regression. Homoscedasticity refers to the variance around the regression line remaining the same for all predictor (independent) variables (Tabachnick & Fidell, 2007). According to Tabachnick and Fidell (2007), multicollinearity refers to two or more predictor variables being highly correlated with one another. Within regression analysis, each independent variable (the different reward categories) was analysed to determine whether each construct was able to predict work engagement ( $p < 0.05$ ). Furthermore, it was then determined whether total rewards as a whole predicted work engagement based on the adjusted R-squared value.

A moderated regression analysis was conducted with age and gender as separate moderators in order to determine whether gender and age acted as moderators in the relationship between reward preferences and work engagement.

## Results

The following results will be presented: descriptive statistics, EFA, correlation, internal reliability, regression analysis and moderated regression analysis.

### Descriptive statistics and internal reliability

Table 2 summarises the mean, standard deviation, skewness and kurtoses of the variables studied. Chronbach's alpha and split-half method were used to determine internal reliability. The alpha coefficients of the subscales were found to be satisfactory when compared to the guideline of  $\alpha > 0.70$  (Nunnally & Bernstein, 1994). Performance and career management and conducive working environment had scores of  $\alpha > 0.88$  and  $\alpha > 0.89$ , respectively, followed by total reward's score of  $\alpha > 0.91$  and work engagement's score of  $\alpha > 0.95$ . The results for the split-half method were 0.75 and 0.82, respectively, supporting an acceptable internal reliability.

### Exploratory factor analysis

The Nienaber's reward scale was originally based on a theoretical framework of six factors identified from the literature and previous studies. After being subjected to exploratory and second-order factor analysis, a newly formed two-factor reward structure emerged which replaced the original six factors proposed. The two factors were named conducive working environment and remunerations and benefits, and achieved Cronbach's alphas of 0.88 and 0.86, respectively. The 46 items of the total reward scale were subjected to EFA. Principal component analysis with direct Oblimin rotation was selected. Items were only considered to be maintained when they met the

criteria of factor loadings  $> 0.30$ , not cross-loading. To assist the decision on which items were to be included, the corrected item total correlations were scrutinised (DeVellis, 2011). This process was repeated until a clear factor structure emerged. The final structure that emerged was a two-factor structure and is presented in Table 3. The original scale can

**TABLE 3:** Two-factor structure for total reward preference scale.

Variable	Component	
	1	2
My employer should provide me with an allowance or subsidy to care for my financially dependant parents	0.86	-
My employer should provide holiday programmes for my children	0.85	-
An on-site convenience store is...	0.80	-
On-site or subsidised childcare facilities is...	0.75	-
An on-site staff restaurant is...	0.76	-
An on-site fitness centre is...	0.72	-
An on-site medical centre is...	0.69	-
My employer should provide me with financial assistance to buy a house	0.65	-
Subsidised tuition for my children is...	0.64	-
I think employers should provide phased in return to work after maternity/paternity leave	0.57	-
A dedicated parking bay in the building where I work is...	0.54	-
Formal recognition for a job well done (e.g. a fully paid overseas trip) is...	0.52	-
The opportunity to take sabbatical leave is...	0.49	-
I need a laptop 3G card to perform optimally	0.46	-
Increases should be linked to inflation and not to personal performance	0.46	-
Bonus allocations should be linked to my team's performance	0.44	-
I would like to go on an international secondment	0.40	-
I need to log into the employer's network from home	0.40	-
Annual allocations of shares and or share options are...	0.37	-
Constructive and honest feedback on my performance is...	-	0.75
My job should be challenging and test my abilities	-	0.72
Having a good working relationship with colleagues is...	-	0.72
The quality of co-workers in my team is...	-	0.71
Growth opportunities, learning and development are...	-	0.69
I should be held accountable for my personal job outputs	-	0.65
Management should encourage team performance	-	0.61
My career path planning should align with my personal interests and goals	-	0.58
A comfortable work environment (décor, equipment) is...	-	0.57
I think coaching and mentoring are...	-	0.57
Bonus allocations should be linked to my personal performance	-	0.56
Personal safety and security in the workplace is...	-	0.55
Retirement and disability benefits are...	-	0.55
Merit increases should be linked to personal performance	-	0.48
Informal recognition for a job well done (e.g. a thank you note) is...	-	0.46
Medical aid benefits through medical aid schemes are...	-	0.43
My annual performance bonus and/or incentive is...	-	0.35

Extraction method: Principal Component Analysis; Rotation method: Promax with Kaiser Normalisation.

Note: Rotation converged in 3 iterations.

**TABLE 2:** Descriptive statistics of the reward preference questionnaire.

Scales	Mean	SD	$\alpha$	Skewness	Kurtosis
Performance and career management	98.44	11.84	0.88	-1.19	2.52
Conducive working environment	84.16	19.13	0.89	-0.35	-0.19
Total rewards scale	178.17	25.42	0.91	-0.52	0.12
Work engagement	84.34	17.37	0.95	-0.70	1.43

SD, standard deviation;  $\alpha$ , alpha.



be requested from the author. The structure could only be partially replicated. The first factor could be interpreted as conducive working environment. The items for the second factor did not load as clearly. The majority of items came from the performance and career and quality working environment subscales. For naming purposes, this subscale is called the performance and career management scale because the most items came from the performance and career management subscale.

## Research question 1

### Correlation

In order to answer the first research question to determine the relationship between total rewards and work engagement, the relationship between total rewards and work engagement was first analysed and thereafter between the work engagement and the various reward subscales. As can be seen in Table 4, a small-to-moderate relationship of  $r = 0.25$  ( $p < 0.01$ ) has been reported between work engagement and total rewards.

The correlation results between the reward subgroups and work engagement are presented in Table 5. Statistical significance was set at the 95% confidence level ( $p < 0.05$ ), whilst effect sizes were used to decide on the practical significance of the findings. According to Cohen (1988), cut-off points of 0.10 (small effect), 0.30 (medium effect) and 0.50 (large effect) were used to decide on the practical significance of the correlation coefficients. The correlations are reported as follows: work engagement and performance and career management ( $r = 0.35$ ;  $p < 0.05$ ; medium effect), work engagement and conducive working environment ( $r = 0.16$ ;  $p < 0.05$ ; small effect) and, lastly, performance and career management and conducive working environment ( $r = 0.39$ ;  $p < 0.05$ ; medium effect).

**TABLE 4:** Correlations between total rewards and work engagement.

Variable	Mean	SD	Work engagement	Total rewards
Work engagement	84.33	17.37	-	0.25*
Total rewards	178.17	25.42	0.25*	-

\*, Correlation is significant at the 0.01 level (2-tailed).

**TABLE 5:** Correlations between reward subscales and work engagement

Subscales	Mean	SD	1	2	3
Work engagement	84.35	17.56	-	-	-
Conductive working environment	84.63	18.91	0.12*	-	-
Performance and career management	98.44	11.84	0.35**	0.39**	-

\*, Correlation is significant at the 0.05 level (2-tailed).

\*\*, Correlation is significant at the 0.01 level (2-tailed).

**TABLE 6:** Moderated regression analysis with reward subscales as predictors of work engagement.

Model	Coefficient			<i>t</i>	<i>p</i>	<i>F</i>	<i>R</i>	<i>R</i> <sup>2</sup>	$\Delta R^2$
	Unstandardised		Standardised						
	<i>B</i>	Standard error	Beta						
Constant	34.28	8.11	-	4.23	0.00*	20.05	0.35	0.12	0.12
Conductive working environment	-0.01	0.05	-0.02	-0.24	0.81	-	-	-	-
Performance and career management	0.52	0.09	0.36	5.92	0.00*	-	-	-	-

*t*, test; *p*, probability value; *F*, overall significance; *R*, multiple correlation coefficient; *R*<sup>2</sup>, percentage variance explained;  $\Delta R^2$ , change in percentage variance explained; *B*, regression coefficient; SE, standard error.

\*, Statistically significant  $p < 0.05$ .

## Research question 2

### Multiple regression analysis

To answer this research question, multiple regression was used to explore the prediction of work engagement from the subcategories of total rewards. From the original six subscales, only two subscales, conducive working environment and performance and career management, remained that met all the criteria and could be reasonably interpreted. The results, as shown in Table 6, indicated that only performance and career management ( $p = 0.000$ ) was a statistically significant predictor of work engagement. The two rewards scales model accounted for 12% of the variance in work engagement, clearly indicating that rewards are not the only factor influencing engagement.

## Research question 3

### Moderated regression analysis

To determine whether gender and age influenced the relationship between total rewards and work engagement, moderated regression analyses as explained by Field (2013) were conducted. Moderation is seen to exist when there is a combined effect of two variables on another variable.

From Tables 7 and 8, it can be seen that only age moderated the relationship between work engagement and total rewards. In the case of age, the model explained 8% of the variance.

## Discussion

### Reward subscales

Performance and career management (0.88), conducive working environment (0.89), as well as the total reward scale (0.91) met the criterion of reliability in satisfactory manner.

**TABLE 7:** Moderated regression analysis with age as moderator between work engagement and total rewards.

Model	Coefficients <sup>a</sup>			<i>t</i>	<i>p</i>	<i>F</i>	<i>R</i>	<i>R</i> <sup>2</sup>	$\Delta R^2$
	Unstandardised		Standardised						
	B	SE	Beta						
Constant	54.26	6.63	-	8.18	7.07	14.86	0.29 <sup>a</sup>	0.09	0.08
Total rewards	0.17	0.04	0.25	4.58	6.71	-	-	-	-
Age	2.45	0.83	0.16	2.94	0.00	-	-	-	-

*t*, test; *p*, probability value; *F*, overall significance; *R*, multiple correlation coefficient; *R*<sup>2</sup>, percentage variance explained;  $\Delta R^2$ , change in percentage variance explained; B, regression coefficient; SE, standard error.

<sup>a</sup>, Dependent variable: Work engagement.

**TABLE 8:** Moderated regression analysis with gender as moderator between work engagement and total rewards.

Model	Coefficients			<i>t</i>	<i>p</i>	<i>F</i>	<i>R</i>	<i>R</i> <sup>2</sup>	$\Delta R^2$
	Unstandardised		Standardised						
	B	SE	Beta						
Constant	54.77	7.40	-	7.40	1.23	10.30	0.25 <sup>a</sup>	0.06	0.06
Total rewards	0.17	0.04	0.25	4.50	9.70	-	-	-	-
Gender	0.64	3.53	0.01	0.18	0.86	-	-	-	-

*t*, test; *p*, probability value; *F*, overall significance; *R*, multiple correlation coefficient; *R*<sup>2</sup>, percentage variance explained;  $\Delta R^2$ , change in percentage variance explained; B, regression coefficient; SE, standard error.

<sup>a</sup>, Dependent variable: Work engagement.

The results of this study only partially supported the factor structure found by Nienaber (2010). There are a few possible reasons that could explain the different findings. The two studies differed in terms of sample composition. The Nienaber sample consisted of 60% women and 75% white people, with most respondents being younger than 40 years. In the current study, the distribution in terms of race and age was more evenly spread, with women constituting 65% of the sample. There were also differences in terms of the industries in which participants worked. The Nienaber study focused on the banking sector and the current study included a variety of financial and other institutions. In terms of position, the Nienaber study had a big group of people in senior management positions, whereas the biggest group in the current study consisted of junior managers. These differences suggest and support other studies that have found that factors such as generational cohorts, age and position could all have an impact on workers' reward preferences (Lawler, 2011; Nienaber, Bussin & Henn, 2011).

Another reason could be the rigour of the development of the instrument as such. Although relatively satisfactory scores were obtained for the two reward subscales, further scale refinement is recommended, as a large number of items have still been retained. In new scale development, one needs to take care to not merely discard items without investigating the instrument on item level. It is suggested that this instrument be further analysed through techniques such as Rasch analysis to further refine the scales. Rasch analysis is a more sophisticated technique utilised for the process of new scale development where more stringent measures are applied to assist with the decision to include or exclude items (Beninato & Ludlow, 2016; Boone, Staver & Yale, 2014; Holmefur, Sundberg, Wettergren & Langius-Eklöf, 2015; Lim, Rodger & Brown, 2009).

On a theoretical level, one would expect to have found a different factor structure as many studies found support for

a wider mixture of both intrinsic and extrinsic rewards (Kaplan, 2005; Shaul, 2007; Van den Berghe, St Onge & Robinae, 2004). Several studies have supported the inclusion of certain items into organisational reward strategies that did not make it into this scale, such as items linked to the organisation's policies and procedures, for example, career progression and goal alignment, work-home integration and benefits that employees may feel they are not yet eligible for (e.g. allocation of shares) (Christoffersen & King, 2006; Cisco, 2008; Nienaber, 2010). A closer scrutiny is thus further warranted.

### Research question 1

The statistically small-to-moderate significant correlation between total rewards and work engagement, although not as high as in previous studies, corresponded with results reported by previous research (Hewitt, 2015; Hulkko-Nyman, Sarti, Hakonen & Sweins, 2012). In this study, evidence suggested that respondents did not differentiate between rewards on such a sophisticated level, but grouped them into larger categories of rewards. This tendency has also been seen in other studies, such as Armstrong and Brown (2006) and Zingheim and Schuster (2007). The fact that the performance and career subscale correlated highest with work engagement sheds further light on workers' preferences of rewards. Items in this scale predominantly reflected an esteem and growth nature, similar to the satisfaction factor of the Herzberg's motivation-hygiene two-factor theory and the esteem level of Maslow's need theory. As has been alluded to in the literature review, employees' perception of rewards is linked to their levels of engagement. McMullen (2010) has similarly found that aspects such as career development, work quality and work-life balance have a greater impact on work engagement than monetary rewards have.

The results post an encouraging sign for organisations that total reward structures are important tools in their strategies

to boost engagement levels. Lastly, although the relationship between work engagement and total rewards is positive, it is not as high as one would hope for. This can be attributed to the total rewards scale still being in its development phase. It is believed that with further item refinement these relationships will also improve.

## Research question 2

The second research question addressed which reward category had the most influence on work engagement. It was found that only performance and career management significantly predicted work engagement and explained 12% of the variance. This implies that there exist a number of other factors and constructs that contribute towards predicting work engagement. This study has not looked at factors such as the influence of generational cohorts, personality characteristics and tenure which could also help explain the variance (Shaul, 2007; Van den Berghe *et al.*, 2004). Given the complex nature of total rewards and the multidimensionality of work engagement, it is not unrealistic to conclude that it is too simplistic to state that total rewards alone predicts work engagement. Total rewards as an engagement strategy is only at its infancy and more research is needed. Organisations need to experiment and engage with their staff to try and understand what they really want in terms of total rewards. As mentioned earlier, traditional rewards are no longer attractive and or suitable (Heneman & Coyne, 2007; Lyons & Ben-Ora, 2002).

## Research question 3

This research question addressed whether age and gender moderated the relationship between total rewards and work engagement. For this sample, only age had a moderating effect. This is in support with other research done in South Africa where age did seem to have an influence on reward preferences (Bussin & Van Rooy, 2014). Hoole and Bonnema (2015) found in a South African study that baby boomers are significantly more engaged than their younger counterparts. These different age groups are therefore important for different reasons. Employers need to understand not only what kind of rewards will attract and retain younger cohorts but also what will keep older employees happy and engaged. A one-size-fits-all strategy will at best provide mediocre results. The current sample was, however, not representative enough to allow any robust conclusions and any interpretation should be treated with caution.

## Practical implications

South African organisations will gain insight from this study on how to improve an individual's levels of work engagement through designing a total rewards framework that matches the needs of employees and the business. The small-to-moderate relationship between total rewards and engagement provides support for organisations to focus their energy on

utilising total rewards as part of their engagement strategies. The results, however, also warrant some caution. According to popular belief, monetary rewards play an important part in reward strategies. This however can differ from one organisation to another. Each organisation needs to have a thorough understanding of its own workforce and their particular needs.

The results indicated that total rewards could explain only 12% of the variance in work engagement. Organisations must take cognisance that both total rewards and work engagement are complex and multidimensional constructs that need to be closely studied and understood on organisational and individual levels if the desired effects are to be achieved. The type of rewards chosen provides useful information in themselves as they provide insight regarding where their motivational potential lies. Results from the Nienaber (2010) study and this study suggest that employees tend to group rewards into larger groups of categories. Companies could therefore pay more attention to a more customised approach that would suit their organisation better. Each organisation's demographic profile is also different. As the results indicated, age also matters, further supporting customisation of a reward strategy above following a one-size-fits-all reward strategy.

What is perhaps evident from this study and the Nienaber study is that more attention should be given to the development of the actual reward scale. Careful attention must be given to the theoretical framework that will provide foundation for the questionnaire to follow. The specific items will need to be relevant for a specific context and workforce. If science and practice collaborate together, much better results can be achieved.

## Limitations

Some limitations must be noted. The findings of this study cannot be generalised to other demographic categories and cultures because of the non-representativeness of the sample. For example, there were far more women and white people in the sample than what are seen as representative of South African society. The reason for the unequal distribution of gender and race could be attributed to the sample being selected from organisations whose employees were predominately female. This was purely by chance. In addition, as the sample was drawn only from organisations within Gauteng, the participants cannot accurately represent other provinces and organisations within South Africa. Furthermore, the study used a cross-sectional design and was unable to determine the relationship between total rewards and work engagement over time. Through the use of a longitudinal study, deeper insight could be provided into the causal relationships between the different reward categories and work engagement. Common method bias could also have influenced the results. In addition, another limitation can be inferred by keeping in mind that the total reward instrument is still in the development phase and being tested.

## Recommendations

This research has provided useful insights that can assist organisations in designing their total rewards models as part of their engagement strategies. As this investigation has been conducted during an economically volatile time which could have influenced the results, it is recommended that it be repeated in the form of a longitudinal study in order to determine the impact of different reward preferences on work engagement over time. Furthermore, the results have indicated that it would be beneficial for organisations to pay attention to the type of benefits they offer to their employees, as there are certain preferences which in turn influence their levels of work engagement such as constructive and honest feedback, challenging job, growth opportunities, informal recognition, career path planning and mentoring (Bussin & Van Rooy, 2014; Jacobs, Renard & Snelgar, 2014; Masibigiri & Nienaber, 2011; Sortheix, Dietrich, Chow & Salmela-Aro, 2013). Organisations should also be aware that their rewards models are not merely bouquets of rewards and benefits with no differentiation which offers no competitive edge. Customisation of reward and benefit programmes could offer more value to employees. Lastly, future studies need to investigate additional variables that could explain additional variance in a particular study's context. In the field of total rewards constructs such as psychological contract, organisational support and organisational citizenship behaviour could also explain additional variance as they impact work engagement.

## Conclusion

If organisations want to include total rewards as part of their engagement strategies, it is imperative that they understand the complex nature in the reward–engagement relationship and how best to use reward systems to meet the needs and goals of both the organisation and employees. Certain rewards are better predictors of work engagement than others, implying that companies should steer away from one-size-fits-all reward strategies.

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### Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in conducting this study or writing this article.

### Authors' contributions

The study was conducted at the University of Johannesburg. C.H. was the supervisor of the study. She contributed to its conceptual design, revision and update of the literature review, conducted some of the statistical analysis and was responsible for the writing of the article. G.H. was responsible for participating in the conceptual design, was the main contributor of the literature review and the sole data collector capturer and also conducted a substantial portion of the statistical analysis.

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