



The role of remuneration in building employee engagement

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ABSTRACT

The aim of the herein paper is to present the issues concerning the significance of remuneration in building the employee engagement with a particular emphasis on the complex approach to rewarding the employees. The article presents an overview of the literature analysis within the aforementioned spectrum.

Keywords: employee engagement; motivating; remuneration; total reward

1. INTRODUCTION

One of the most important functions of the management is motivating which leads to achievement and implementation of the objectives defined by the organization as well as contributes to building loyalty of its members and improving the efficiency of their actions. The issues of motivating encompass shaping the attitudes and behaviour of employees desirable from the perspective of organization. The sought effect of the herein proces is the engagement of the employed, which includes not only the activity during the realization of the entrusted tasks, but also a full identification with the objectives and values of the organization.

The issue of engagement is particularly significant in functioning of the contemporary organization. Having even the most skilled employees does not entail higher efficiency. The

engagement is a key to translate the potential of the employees into the concrete effects. It has its roots in the positive attitude towards the organization, associates and supervisors, in perception of the individual self-development possibilities adequately to the personal expectations and also in the financial gratification adequate to the effort.

In order to improve the quality of organization's operation, increase efficiency, creativity and initiative of employees, there is action needed necessary to increase the quality of human resources management and level of identification with the organization, as well as increase of commitment, job satisfaction and motivation. From the perspective of efficiency of the aforementioned actions, it is significant to pay particular attention to the factors affecting the engagement level of the employees, including the role of remuneration.

2. THE NOTION OF EMPLOYEE ENGAGEMENT

The literature review revealed the different angles of defining the organizational engagement. The engagement is described as the commitment of the employees to the organization and the entrusted roles in the organization [1]. It is also defined as a persistent cognitive-affective state of mind that gives a sense of accomplishment, which is characterized by the vigor (high energy level, effort put into work), devotion (dedication, enthusiasm at work) and absorption (concentration on work) [2]. According to M. Armstrong, the engagement occurs when employees are genuinely interested and absorbed in their work and even passionate about it, which leads them to undertake voluntary efforts beyond the formal duties [3].

The engagement is most commonly defined as the emotional and intellectual commitment to the organization as well as the sum of the effort that employees decides to put in order to fulfill their obligations [4]. The employee engagement is manifested in four forms: commitment to organization, commitment to work, commitment to occupation (profession) and commitment to social environment.

The commitment to work or profession, is a necessary condition but not sufficient to form the organizational engagement which is the identification with the goals and values of the organization, the desire for belonging and willingness to act, giving prominence to the interests of the organization, and even priority over the personal interests of the individual [5]. The organizational engagement is manifested in the behaviors such as [6]:

- readiness to defend the organization in situations of crisis or conflict,
- pride of affiliation and identification with the organization,
- high activity and initiative,
- loyalty and commitment, lack of interest in searching for another job,
- availability and consent to work overtime when the situation requires it,
- understanding for the additional duties and willingness to take responsibility,
- trust and confidence in relations with the superiors and colleagues.

The engaged employees can be characterized by a strong and constant intellectual and emotional commitment to their work, team and the organization in which they operate. The involvement occurs when an employee knows and understands the goals and values of the organization. The engaged employee is a good fit for the organization at the level of

worldview and a better fit should reinforce the level of commitment. The consequence of the fit is the sense of membership and link with the organization. The employee is emotionally attached to the organization (this relation can be positive – and then the internal pride of membership is developed, or negative – then the employee notices the wrong aspects of the organization's operation and simultaneously by aspiring to change it, he undertakes actions that aim to improve proper functioning of the organization). The third and key dimension of the engagement is activity in line with the beliefs of the employee, with a real impact on the organization, and his behaviour is linked to choice of work, implementation of tasks and demeanour in the particular situations. The engaged employee is not actively searching for another job, not even considers the possibility of quitting and believes in the success of organization, expresses positive opinions about the working environment and even persuades others to start working for the organization [7].

The fundamental features of the organizational engagement are: identification with the objectives and values of the organization, the willingness of membership, the working duties corresponding with interests, personal traits and aspirations, which is the condition for the professional passion, as well as willingness to make an effort for the organization [8].

In other words, the organizational engagement consists of the following components – identification, stabilization, passion and effective action for the benefit of the organization [9]. The significance of the particular features of the organizational engagement is dependent on the type of organization.

3. FACTORS AFFECTING THE LEVEL OF EMPLOYEE ENGAGEMENT

The employee engagement being an effect of process of shaping the attitude and behaviour in the organization, is an objective of motivational activities undertaken in the organization, as well as proof and measure of their efficiency¹. Achieving a high level of engagement requires the employees' identification with the organization. In order to reach that level, it is necessary to build the working relations based on the stabilization, common responsibility and decisional participation. Inspiring to a high engagement requires reference to the wide spectrum of needs, professional and personal goals of the employees, which means a need of launching a whole palette of motivational tools. The introductory step is to use the proper external rewards, including financial reward, working conditions, professional position and job security. The effective external reward is a necessary prerequisite, however, insufficient to reach a full engagement. It is necessary to complete them with internal rewards such as the self-development possibilities, independence and expression of recognition.

The research of the Institute for Employment Studies indicates that the main factors of the employee engagement is a sense of appreciation and participation, influenced by such elements as [11]:

- proper training, development and career perspectives,
- direct superiors,
- results and evaluation,
- communication,

¹ M. Armstrong indicates the difference between the engagement and motivation, claiming that the motivation concerns the willingness to act, not the attitude of employee [10]. Consequently, motivation is not synonymous to engagement.

- equal possibilities and just treatment,
- remuneration and benefits,
- health and security,
- cooperation,
- friendly or „family” atmosphere at work,
- job satisfaction.

According to S.L. McShane the engagement should be shaped by three psychological states of mind: the sense of meaningfulness (the significance of tasks), the sense of responsibility (autonomy) and the knowledge about the results (the feedback) [12]. K. Ayers indicated five basic needs of employees, that should be gradually fulfilled in sequence, so as they could perform the duties with passion and identification with the organization. Those are the need to be respected, need of education and development, need of inclusiveness (having access to important information), need of significance and need of „being the part of a winning team” [13].

The conditions of the effective engagement can be also presented by ten basic factors [14]:

- 1) the behaviour of leadership in the higher managerial Staff,
- 2) relations with the direct superior,
- 3) interesting job with challenges,
- 4) self-development perspectives,
- 5) participation in decision making process,
- 6) autonomy of action,
- 7) team spirit in the organizational culture,
- 8) proper working conditions,
- 9) supporting systems and structures.

In the noteworthy employee engagement model developed by M. Juchnowicz, author presents the essence of the engagement as composed of five elements, namely [15]:

- knowledge – understanding of the organization’s objectives (including the level of vision and strategic goals, as well as the working objectives), the access to information concerning the general overview of strategy and anticipated changes;
- identification – the sense of integration with the organization, loyalty, taking responsibility and initiative, and even willingness to make sacrifices, which involves the acceptance of the goals and values of the organization and the organizational culture, trust towards the managerial staff and colleagues, strong organizational brand as attractive for employees, effective communication, feedback, participation, delegation of power, consultative management style;
- gratification – the holistic approach to motivating employees and treating gratification (rewards), that is the total benefits of employee on account of the employment, in a complex and comprehensive way with the individual approach;
- organization – technical and organizational support, proper management system (including the instruments of the human resources management), as well as the differentiation and significance of tasks, autonomy;

- togetherness – cooperation as a desired relation between partners in a working environment.

The analysis of factors that have an influence on the level of employee engagement for the purposes of human resources management should not omit the impact of external political, social, economic factors and the situation on the labour market. The aforementioned conditions, even if strongly identified beforehand, can result in the employees' mobility and adjust (either positively or negatively) the level of satisfaction, willingness to self-develop, creativity etc. The adjustment effect on the engagement level can be also attributed to the individual traits of the employees, their personal and professional goals, system of values or gained experience.

The emphasis should be also put on the aspect of the personal engagement of the management that is crucial for the success of activities aiming to increase the level of the employee engagement. The leaders should be sensitive to signals reaching from employees and maintain an up-to-date check of the level of satisfaction in the organization. The employees feel responsible and engaged only if they notice the similar attitude of their superiors [16].

The strategy of building the organizational engagement should be based on the system of human resources management that is properly shaped and relying on the clear rules and procedures, as well as on the development policy for employees, effective communication and active cooperation of the managerial staff.

4. THE REMUNERATION AS AN INSTRUMENT OF BUILDING EMPLOYEE ENGAGEMENT

The diversity and dynamism of the employees' needs and their individualized hierarchy is reflected in the broad set of external and internal factors that determine their level of motivation and engagement, which can be translated into continuous expanding and updating of the motivation methods used in the organization. Consequently, it leads to evolution of ideas concerning the notion of remuneration.

The issue of building organizational engagement encompasses the concept of total reward. It can be described as including all the possible ways of rewarding employees and guaranteeing a job satisfaction, and its goal is to maximize the impact of different components of remuneration on the motivation and engagement of employees [17]. The total reward, known also as comprehensive, complex or holistic is comprised of not only material remuneration, regardless of their form (financial or non-financial), but also immaterial one, that is rewards of internal character (as perceived by the employee) and external rewards being an appreciation for the employee's accomplishments and his attitude towards work, as expressed by either superiors or colleagues [18].

According to P. Thompson [19], the definitions of total reward usually include not only traditional and material components such as remuneration and fixed and variable benefits, but also immaterial and non-financial elements such as educational, development and career possibilities, responsible position and tasks, internal motivation delivered by work itself and the quality of professional life provided by the organization. Therefore, it can be assumed that the total reward encompasses all the elements of possible benefits that the employee can

acquire in relation to the employment with the particular employer. Those benefits form an intentionally shaped package that supports the realization of the strategic objectives of the company and simultaneously takes into account the goals, needs and hierarchy of values of the employees (Figure 1).

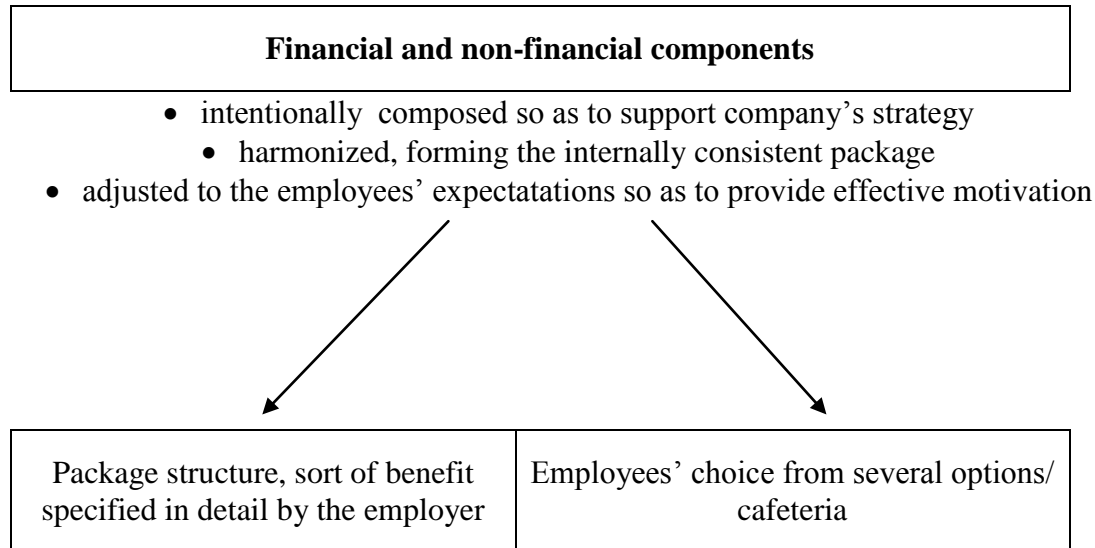


Figure 1. The notion and essence of total reward

Source: [20]

The package system constitutes an innovative approach of shaping the complex remuneration. It means an intentional division of the overall budget for remuneration. The package remuneration is therefore an element of strategy based on the concept of total reward, indicating the necessity of analysis as an integrated set composed of various elements.

The package remuneration is identified as a precise selection of the elements of pay and other income from work, by means of which a certain group or all the employees are effectively motivated, if they implement specific goals and tasks. The reasons for the construction of the remuneration package include large and unequal competence requirements for the employees, their contribution, commitment and the expected results of work, need to integrate some or all of employees of the company and the different value systems with the inferred expectations [21].

The remuneration package may be more or less expanded. The potential set of package components include: financial remuneration (fixed and short-term incentives), long-term incentives and additional benefits. Practice shows that the most important components of remuneration package may include: fixed remuneration (base pay), changing elements of remuneration linked to performance (such as bonuses and commissions), the components of financial participation (i.e. shares and stock options, participation in profit division, savings plans), benefits (such as health insurance, medical care, pension schemes, additional paid leave etc.), perquisites (company car for private use, subsidized meals, free products or discounts on these products, mobile phones, corporate funds, credit cards, training), other additional benefits, such as corporate loans granted on favorable terms, financing travel expenses etc. From the motivational point of view, the incentive package should not be

limited only to material incentives. An integral part of the remuneration should be intangible, e.g. flexible working schedule enabling better balance work with family responsibilities, creating opportunities for training and development and other [22].

The diversity and individualization of the packages reflects the process of increasing the flexibility of remuneration [23]. In accordance with the idea of remuneration package, many of the elements of the internal structure of labour income should be treated as a part of a wide-ranging cafeteria programme. The essence of the cafeteria is the individualization of remuneration by the creation of workers' choice of benefits from a specific sets called lists or menus. They may include i.a. financial withdrawals, free time as an alternative to additional financial benefits system, additional insurance, medical care, benefits in kind, loans, financing skills development, financing recreational leave, securities etc. The selection of certain offered benefits can also be shaped individually in accordance with the management's philosophy of the organization, preference of the staff and taking into account the existing legislation [24]. In other words, the essence of the cafeteria system is the separation of the employer's decision regarding the cost of the package of benefits from the employee's decision on which of those benefits the funds will be spent. The employer decides on the monetary value of the package, while the employee determines its form. The idea of flexible remuneration systems, as mentioned in the previous paragraph, refers to both benefits for employees and non-financial incentives obtained as part of the cafeteria. In literature cafeteria is equivalent to flexible benefits system [25,26].

In conclusion, it should be expressed that the implementation of the concept of total reward is associated with the creation of an environment favourable to creating employee engagement, investing in human capital and shaping an attractive remuneration package, both in terms of its value and structure. The assumption of this concept is including in the remuneration package such tools that will satisfy the needs of employees, and on the other hand - to support the implementation of the strategic objectives of the organization.

The strategy of complex reward facilitates finding solutions to problems concerning attracting new and retaining long-term employees and stimulating the behaviours at the workplace. According to S. O'Neal [27], it enables the development of agreement including the broad spectrum of issues and investment of the financial sources in the remuneration schemes where it would maximize the benefits, bearing in mind the changing priorities of employees – in this manner, it helps to create the working conditions that satisfy the needs of employees and encourage them to work even harder.

The most appropriate model of complex remuneration, created on the basis of the analysis of the available and most appropriate tools, should be unique and match the specifics of the organization. By examining the needs of employees, market knowledge and reliable data, the organizations can develop comprehensive systems of remuneration, strengthen the commitment, engagement and efficiency of employees and allow for the maximum use of investments in rewards. It should also be emphasized that a complex system of remuneration requires the fulfillment of several conditions [28]: knowledge of all the available rewarding tools, recognition and understanding of the needs of different groups of employees and the understanding of the company's strategy - its objectives, business models, sources of competitive advantage etc. It should be also indicated that the condition for the motivational effectiveness of the remuneration package is its internal coherence - the components should mutually reinforce their impact [29].

5. CONCLUSIONS

The effective motivating that leads to a high level of employee engagement should have a positive impact on the quality of organization's operation and the increase of working efficiency. However, shaping the effective motivational solutions is not an easy task. Several factors have impact on the employee engagement – it is beneficial to use that knowledge to improve the quality and efficiency of the functioning of organization. One of the important factors affecting the level of engagement is remuneration.

The issue of building the organizational engagement includes the idea of total reward that encompasses different components (material and immaterial) motivating the employee to perform tasks and adjusted to his expectations and nature of work.

The growing importance of intangible assets, including discretionary ones, and the development of holistic (complex) remuneration is one of the significant trends in the remuneration systems. The modern employee (especially white-collar worker) generally appreciates not only the financial benefits associated with the work, but also immaterial components are of value for him, such as the atmosphere in the workplace, equal relations within the company, the gratification for the fulfillment of tasks or recognition for achievements. It is in the interest of employer to express concern about the working conditions to enable the self-realization and development of employees and even, to some extent, about the quality of life at work and outside of work.

The options to achieve such objectives are created by a complex system of remuneration based on the use of such measures which are attractive for employees and meet their various needs. Such a system is undoubtedly beneficial to the motivational effectiveness of remuneration system with benefit to both companies and the employed with their families. On the one hand, the comprehensive model of remuneration builds employee engagement, assures satisfaction and creates the opportunities for the development possibilities and career while maintaining a balance between work and other obligations (work-life balance), on the other hand – it leads to the development and success of the company and multiplies its effects.

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