National College of Ireland

An analysis of the area of reward and recognition and the impact it has on employee retention.

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Abstract

The aim of this study is to analyse the area of reward and the impact it has on employee retention. Previous research into the use of reward strategies to improve employee retention showed a lack of critical appreciation for the employee's perception of this management technique. This study endeavoured to understand how employees view the variety of incentives offered and to ascertain whether financial incentives are generally more favoured than non-financial alternatives.

This study adopted a qualitative method in the form of six in-depth interviews to allow for a deeper understanding of the topic. Six participants of various ages were chosen from a range of employment sectors in order provide an unbiased overview of employee perception of reward. Upon analysis of the data gathered, it was found that remuneration packages and defined career paths were the most influential elements of a reward strategy in terms of employee retention.

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Dedication

This dissertation is dedicated to my parents, Mary and Pat, whose support and patience knows no bounds.

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Table of Contents

Chapter 1- Introduction

The overall aim of this research project is to analyse of the area of reward and recognition and the impact it has on employee retention. The proposed study will look at the various reward strategies and how they affect retention in organisations.

The researcher's interest in the topic of reward stems from the evolution of reward systems throughout the years. There are such variances in the reward systems being used by organisations that the researcher chose to investigate which rewards yield the best results in terms of motivating workers and whether reward impacts employee retention within organisations. Reward in its most basic form can be described as compensating a worker for work carried out (Rose, 2014). However, over the years, reward systems have evolved into something much more sophisticated. This is a reflection of the ineffectiveness of using exclusively extrinsic based rewards. Reward is a fundamental component of any organisation but now reward strategies are now a tool used to motivate, retain and develop workers, not simply to pay for a service provided.

The existing research has a heavy focus on reward systems from the perspective of the employer. There appears to be a gap when it comes to getting the perspective of employees and which type of reward motivates them and encourages them to stay in an organisation. This study hopes to gain a better insight into the preferences employees have, whether reward or recognition motivates them the most and whether the type of reward that keeps them motivated differs from the rewards that would make them stay in an organisation. Although there is undeniably a link between motivation and retention, it is not a guarantee that an employee who feels motivated in their job will want to continue in that employment. It is not uncommon for employees to be influenced to leave an organisation by other factors such as more favourable working conditions or better compensation.

This study will also look at the impact of reward systems on retention within organisations. It hopes to gain a better insight as to what reward strategies organisations adopt to improve employee retention. Reward systems can be utilised by organisations to fight against high employee turnover. Where there is a tight labour market, reward is an effective method of enticing workers to remain in organisation. During times of economic decline, organisations often have to look at non-monetary rewards as a method of retaining talent.

Chapter 2-Literature Review

2.1 Introduction

In order to fulfil the research aims and objectives it is crucial to have a clear understanding of the concept of reward and the terminology surrounding it. Michael Rose (2014, p.5) defines reward as being "the total of all the financially valuable related elements received by employees in an organization". However, many other authors such as Armstrong (2010) and Wright (2004) do not limit the term reward strictly to mean financial gains. Instead their use of the term reward encompasses both financial and non-financial elements. For the purpose of this research project Reward Management is understood to be the way in which workers are afforded recognition for their contribution to an organisation by either financial or non-financial means. The overall objective of reward management is to treat workers fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals.

Michael Armstrong has written extensively on the subject of reward and reward management. He believes that they purpose of reward manage to be

- Reward people according to the value they create.
- Align reward practices with business goals and with employee values and needs;
- Reward the right things to convey the right message about what is important in terms of behaviours and outcomes.
- Help to attract and retain the high-quality people the organization needs;
- Motivate people and obtain their engagement and commitment;
- Develop a high-performance culture

These aims are in line with Deeprose's definition of reward management in which he describes it as "the process of developing and implementing strategies, policies and systems which help the organisation to achieve its objectives by obtaining and keeping the people it needs, and by increasing their motivation and commitment" (Deeprose ,1994, p. 26).

Beer et al. (1984, p. 117) concisely explains that: Individual employees, in exchange for their commitment, expect certain extrinsic rewards in the form of promotions, salary, fringe benefits, bonuses, or stock options. Individuals also seek intrinsic rewards such as feelings of

competence, achievement responsibility, significance, influence, personal growth, and meaningful contribution".

This to say that organisations use reward as a means of encouraging certain types of behaviour. By rewarding these behaviours organisations hope to build loyal workforces who operate with high levels of performance.

Taylor (2000) believes that the academics and, in turn, organisations became interested in the use of reward to achieve organisations goals in the 1960s, as there was a shift away from the use of collective bargaining to determine fair pay levels. However, one need only to look towards the human sciences to know that the concept of reward based learning has been around for centuries. In an effort to understand better the concept of intrinsic motivation (which this paper will later discuss in detail), psychology theories Niekum, Barto and Spector (2000) produced an algorithm to explain how human nature is designed to seek and respond to rewards, which in turn moulds their behaviours and interaction with the world. Although this algorithm is out of the realm of usual HR studies, it proves that the link between reward and learning is an innate part of human nature.

2.2 Reward Systems

2.2.1 Designing a Reward System

Before a reward system can be designed, there must be a clearly outlined business strategy as this will serve as the basis for the reward system. Cissell (1987) states that the most effective reward systems are those which are designed to fit the organisational objects as well as the organisation's culture. This requires identifying the business drives and analysing the business goals. Thorpe (2000) develops this point by explaining that a well-designed reward system can serve as a communication tool for linking the business strategy with the company culture. He believes that in designing a clear reward strategy, it sends a message about what the organisation values and what is important. This supports the views of Armstrong (2010), Deeprose (1994) and Beer (1984). Armstrong and Murlis (2004) warn that when designing a reward system that an organisation should be wary of following 'best practice' as reward should be linked to the organisational goals and these can differ greatly from one organisation to the next.

The existing literature suggests that a reward strategy should be as unique to an organisation as their organisational goals. Having a well-designed and effective reward strategy would allow

an organisation competitive advantage over their peers as reward can be credited with motivating employees and improving retention (Schuster and Zingheim, 2001). However, it no longer suffices to use financial measures alone to reward an employee as this is too easily replicated and thus competitors will be easily able to imitate such reward (WorldatWork, 2013). Instead, a well-designed reward scheme will encompass many elements that fall into the category of financial and non-financial rewards, including total reward. Thompson (2002) explains the concept of total reward as a type of reward that "encompasses not only tradition, quantifiable elements like salary, variable pay and benefits, but also more intangible non-cash elements".

2.2.2 Implementing a Reward System.

When organisations opt to implement a reward plan there are many considerations, such as who is most equipped to design the plan, how the organisation will be able to finance such a reward plan and how the plan will be communicated to employees. Heneman (2007) looks at the challenges facing organisations when adopting a total reward and the consequences of ignoring or overlooking these challenges. He goes on to list three scenarios of when organisations failed to properly develop a reward strategy and the mediocre results those plans yielded as well as the inevitable backlash from employees. In each company had developed a new reward strategy, but had ignored vital steps such as properly communicating it to the employees and failure to implement ways of measuring performance, each scenario resulted in the new reward schemes being eliminated and employees were left feeling demotivated and resentful. Although each scenario had different aims and ultimately different shortcomings, the outcome was the same; poorly planned reward schemes will have a negative effect on the workforce, thus creating the opposite of the intended result. This ties in with Gellar's (2006) point that it is the success of a reward system is based on how prudently it is constructed and implemented.

2.3 Elements of a reward system

2.3.1 Financial Reward

Base pay

Armstrong (2013) defines base pay simply as the rate of pay for a job. He describes the management of this type of financial reward involving the establishment of grade and pay

structures. Base pay may vary according to grade of the job or, in the case of manual workers, according to the level of skill.

Contingent pay

Contingent pay is an additional payment which is related to a secondary factor, separate from the job itself, this could be related to performance, competency, contribution, skill or length of service. Contingent pay is provided by being added to base pay, this is often referred to as consolidation.

Skill based pay is usually directed at manual workers with the aim to motivate them to develop or hone new skills that will ultimately improve their performance. This is added to the base rate of pay.

Competency, contribution or individual performance related schemes can also be known as 'merit based pay' or 'performance related pay'.

Performance Related Reward

Hutchinson (2013) explains the concept of Performance related reward as being an umbrella term (p 167) for the various remuneration schemes in which the reward is dependent on some measure of performance which implies that the reward will vary in accordance to that performance.

Performance related reward is sometimes referred to as 'variable reward' or 'contingent reward'. This is an approach that encompasses a wide range of reward practices including;

Piecework: This is when a price is paid for each unit of output.

Payment by results: Bonus earnings depend on measured qualities or values of output for individuals or groups, usually based on work studied time units; this covers a range of bonus schemes and still form the main method of performance pay for manual workers

Organisation-wide incentives: Bonus earnings or pay levels based on measured quantities or values for the whole establishment.

Merit pay: Bonus earnings or pay levels usually based on general assessment of an employee's contributions to performance

Individual performance related pay (IPRP): Bonus earnings or pay levels based on the assessment or appraisal of an employee's (or team's) performance against previously set objectives, usually part of a performance management system.

Profit related pay: Bonus or share options based on the organisation's profit performance; this is widespread in the private sector, where share options are often important for senior managers.

Commission: This is a percentage payment on sales or turnover, paid on an individual or group basis. This type of performance related reward is common in sales, retailing and other branches of distribution.

Measured day work: This is one of the more important examples of a composite system. This occurs in a number of forms, but they all share the characteristics of pay linked on a single or stepped basis with measured output.

These practices can be used to reward individual or collective behaviours (Hutchinson, 2013). Prendergast (1999) writes that these different types of reward schemes vary in their power depending on the desired outcomes.

There have been many arguments made against Performance Based Reward. Most of these arguments have been summarised in Kohn's oft cited (1993) article.

- Pay is not a motivator. Kohn provides evidence to support Hertzberg's theory that pay is a hygiene factor which means that while pay can de-motivate a worker it does not have the power to positively motivate.
- Rewards punish. Kohn believes that rewarding certain behaviours is a way managers manipulate their workers. Overtime, this will have a punitive effect on employees. Kohn also highlights that not receiving a reward that was expected is indistinguishable from punishment.
- Rewards damage relationships. Kohn writes that the process of rewarding individuals undermines teamwork and damages co-operative relationships. "For each person who wins there are many others who carry with them the feeling of having lost. And the more the rewards are publicized through the use of memos, newsletters and award banquets, the more detrimental their impact can be" (Kohn, 1993, p.58).

In contrast to Kohn's article, Beer and Cannon (2004) believe that reward can work too well and motivate staff in the wrong way. They believe that reward causes employees to work towards the wrong goals, that is, they're focus is on earning a reward rather than working to benefit the organisation.

Bonuses

The defining feature of a bonus is that it needs to be re-earned, which differs to a merit reward scheme. A bonus can be used an alternative or an addition to contingent pay. This type of reward is sometimes described as 'variable pay' and the payments are not consolidated. Armstrong (2013) described merit reward schemes as "the gift that keeps on giving" (Armstrong, 2013, p.277). Bonuses can be a more appealing type of reward to an employee as lump sum payments can yield a greater impact than a pay increase which is delivered over the course of the year. This is likely to be case because an employee has a tangible amount of money that they can spend instantly if they so wish.

A bonus is also a method of rewarding someone's performance who is already at the top of their salary range for their grade but still deserves financial recognition. Bonuses may also be given based on the performance of a team. Overall, bonus schemes are thought to contribute to manifesting a culture of high performance and engagement in workplace, which in turn has a positive impact on the bottom line.

There are also disadvantages regarding the use of bonuses as a reward scheme. Firstly, many bonuses are not pensionable if they payment is not consolidated. Secondly, steadily increasing base pay may seem like a preferable option for some that relying on unpredictable bonus payments.

When an organisation are designing a bonus scheme it is vital that it is does not create what Armstrong (2013) describes as a moral hazard. This means that a bonus scheme should be designed in such a way that it is does not serve as an incentive for inappropriate behaviour in pursuit of a pay-out. A bonus scheme should always be consistent and transparent and avoid rewarding failure as doing so would make the concept of reward pointless.

Pensions and Benefits

Employee benefits can include company car, a company phone, health insurance cover and various other perks which are additional to any form of cash payment that the employee may be in receipt of. Some organisations have a policy of 'flexible' benefits schemes which allows employees to select which benefits they wish to avail of within a predetermined limit. Armstrong (2010) explains the rationale behind employee benefit as being a way of increasing employee commitment to an organisation by meeting the personal needs of employees. It also allows the organisation an opportunity to cultivate a sense that they are

considerate of employees needs and care for their well-being. However, organisations are obliged by law to provide certain benefits, such as maternity leave.

2.3.2 Non-Financial Reward

Non-financial rewards are benefits that can be offered to employees as an alternative or supplementary to financial rewards. This type of reward appeals to a workers need for recognition, achievement, autonomy and their desire for personal growth. Non-financial reward can be intrinsic as satisfaction can arise from feeling accomplished in the job and feeling that the work is worthwhile, or, it can be extrinsic, such as recognition or praise (Armstrong, 2010). Similar to Latham and Locke's (1979) theory that money cannot be relied upon to keep employees motivated, Armstrong (2010) believes that it is important that money must be accompanied by non-financial reward, particularly the type of reward that provides intrinsic motivation.

In keeping with the views of Armstrong (1997), Whitaker (2010) warns that the effect of using financial rewards as means of motivating a workforce can be short lived and that the use of non-financial rewards can have a further reaching effect on motivation. However, Whitaker warns that using non-financial benefits to justify below market levels of pay will null the motivational element.

Not only are non-financial rewards thought to have a more enduring impact on employee motivation, they are also seen to be a cost effective method of attracting talent into an organisation and improving retention. In the wake of the global financial crisis there is increased pressure on organisations to reduce costs which has created a greater interest in the use of non-financial rewards (Chiang and Birtch, 2011).

2.3.3 Types of non-financial rewards

Recognition and responsibility

Non-financial rewards can be as basic as simple recognition such as acknowledging exceptional work and thanking an employee for their contribution. It allows employees to know that they have achieved their objectives and that their contribution is appreciated. This need for recognition can be linked to Maslow's (1954) hierarchy of needs as self-esteem can be improved by recognition and praise.

It could be argued that being given more responsibility is also a form of recognition. It is the acknowledgement that an employee is capable of carrying out their work to a satisfactory level as well as managing the resources needed to do that work.

Influence and Autonomy

When an employee is given the opportunity to influence policy or decision making within an organisation it allows them to feel more connected to the organisation and more passionate about the job they are performing as they are made to feel that their input is valuable (Armstrong and Murlis, 2004). The freedom to make decisions without having to seek approval from a superior allows an employee to develop skills while it also enhances their self-belief. Employees also get a greater sense of fulfilment from doing a job where they are granted a certain amount of autonomy.

Personal growth and Training and Development

Allowing an employee the opportunity for personal growth by developing new skills is considered a type of reward. Alderfer (1972) stressed that giving an employee the chance for developing skills and personal growth is a very important element of a reward system as not only does it keep employees motivated it also enhances competencies that will benefit the organisation.

Many learning and development opportunities can happen organically in the workplace on a day to day basis. Armstrong (2007) demonstrates that this can be enhanced with the use of coaching or mentoring schemes to allow for formal learning also. These formal training and development schemes can be utilised as an element of non-financial reward programmes so that employees are aware of the learning opportunities being presented to them.

2.4 Total reward

The concept of total reward, although growing in popularity in the last decade, has been around since the 18th century. In 1776 the (Scottish) economist Adam Smith wrote about maximising their total net advantage of work. This is one of the first times it was suggested that employers didn't just think in terms of wages paid but instead looked at the overall affableness of the job, the job security that was attached and the job satisfaction that it provided (Reilly, 2010).

More contemporary writers have weighed in on the topic such as the UK's Michael Armstrong, who believes that total reward also encompasses intrinsic as well as extrinsic satisfaction, that

is, the non-financial as well as the financial rewards (Armstrong and Murlis, 1991).Correspondingly, Hutchinson (2013) describes total reward as a more holistic approach to reward as it has the potential to encompass all elements of reward and use them to create a reward system that can be tailored for an organisations unique needs or objectives .However, reward theorists from the US, Schuster and Zingheim (2001),talk about total reward as being a philosophy. They believe that total reward is a particular mind-set opposed to a set of reward practices.

While there are variances amongst academics when defining total reward, they are somewhat unified when describing the desired outcome of using this type of reward. They believe the use of a total reward strategy allows workers to feel a greater sense of motivation than using a non-financial or financial strategy alone. According to MacLeod and Clarke (2009) in order to have an 'engaged' workforce, employers may opt to use a total reward scheme to balance the extrinsic rewards with rewards that also intrinsically motivate. O Reilly (2010) stresses that the core point of total reward is that it incorporates the psychological contract between employer and employee. This is to say that total reward should recognise the psychological contract and go beyond the formal terms to include implicit expectations of both parties. He writes disparagingly about how most of these total reward initiatives have been designed by employers based on their own perceptions of what their employees want, without ever seeking counsel from their employees. He acknowledges that his has been particularly problematic in the context of a tight labour market, where the 'war for talent' makes enticing and retaining employees a difficult task.

2.5 Reward and motivation

The subject of employee motivation has been one that has been examined for decades. In 1979, Latham and Locke wrote that money was the main motivation for employees as they believed without the promise of a paycheque very few employees would work at all. However, while they believe that money is the primary incentive to come to work they also acknowledge that money alone will not motivate high performance. This fits in with Hertzberg's theories on motivation where he lists pay as a hygiene factor, that is, something that does not have the power to motivate but could act as a de-motivator.

Motivation can be divided into two subsections of extrinsic and intrinsic motivation:

- Extrinsic motivation comes from the expectation of receiving a tangible reward or outcome such as pay, promotion, pension or healthcare provisions.

- Intrinsic motivation comes from the expectation of receiving psychological rewards such as a sense of achievement, respect, feelings of self-esteem or recognition.

Armstrong (1997) writes that extrinsic motivation can have a powerful, although short-lived, effect and those intrinsic motivators may be more effective in the long term. He believes this to be the case because intrinsic motivators aim to satisfy an inherent need or desire within a person, whereas extrinsic motivations fulfil a different type of desire.

It is the realisation that workers are motivated by a combination of factors that led to what Hutchinson (2013) describes as 'cafeteria-type' rewards and total reward emerged in the 1990s as more strategic approach to rewards. There has been an increasing trend towards the use of total reward as more organisations recognise that pay is not the only motivator.

Scott Geller (2006) believes that reward is important factor in keeping employees motivated. However, he also believes that very often it is not the nuances of the reward bestowed on an employee that matters but how it is delivered. Like many other theorists (Gagne, 2004; Danish and Usman, 2010) he has established a clear connection between rewarding employees and increasing their self-esteem which leads to an indirect but beneficial impact on desirable behaviour. Geller argues that the presentation of a reward has a greater influence on these desirable behaviours than the reward itself. He makes the distinction between rewarding people for their special effort rather than using reward as a pay-off for performance. Although acknowledging that there is no one perfect way of delivering reward, he outlines his preference for rewarding people privately. It is his opinion that those being rewarded or recognised for their efforts in a public setting may fall victim to negative consequences from their peers. As well as this, he writes that public recognition can act as a de-motivating factor for those who feel that they're efforts have gone unnoticed.

Geller believes that the most effective way of rewarding an employee is to show a genuine interest in the work they carry out and assign praise accordingly, rather than issuing a disconnecting 'thank you' for work performed. It is by showing a "bona fide interest and appreciation" (Geller, 2006, p.14) in the work an employee does that allows the employee to feel appreciated and safe in their jobs.

Similar to Gellar's view, Marston (2007) believes that genuine acknowledgment of work good goes a long way in motivating staff and encouraging certain behaviours. However, Marston also writes that in contemporary workplaces instant recognition is vital. He suggests that with

Gen X and Millennial employees, the faster they are acknowledged for good work the more satisfied they feel in the work they are performing. Unlike the Baby-Boomer generation, Gen X and Millennial employees do not believe in the concept of a job for life. This means that very often organisations who once believed in promotion as grand gesture in terms of recognition have to re-think reward and recognition strategies as the younger generations have a tendency to leave the organisation before they are granted such promotions.

2.6 Which do employees value more: Financial or non-financial reward?

While there is vast quantity of information on reward theory and the various reward strategies can organisations can utilise, it seems that it is more difficult to find conclusive information as to what type of reward yields the greatest results. The area of reward has the scope to overlap with other aspects of work such psychological contract, motivation, recruitment and retention but it is difficult to disentangle all of this and decipher which type of reward has most impact on the bottom line.

The CIPD's (2007) podcast 'Is Cash King?' investigates whether cash and monetary rewards are the most effective or whether non-financial rewards can have a greater impact on employee behaviour and performance.

Charles Cotton, CIPD adviser on reward says that reward is a deeply complex area and that it is difficult to extricate a precise winning formula or "silver bullet" for which method is most effective. He believes that it is a combination of both financial and non-financial rewards that work best and added that finding the right reward strategy is more of an art form then a science. Based on research the CIPD carried out, it was found that companies who focused on financial rewards were retaining staff for 2-3 years but ultimately the employees were leaving because they didn't feel like they belonged or were a part of the wider organisation. On the other hand, you had organisations that were focusing solely on non-financial rewards that were retaining staff for 4-5 years but although the employees felt a sense of belonging and felt supported they eventually left the organisation because they needed that financial increase to buy a home or support a family. These beliefs highlight the importance of having a total reward strategy that encompasses elements of both financial and non-financial rewards so that the reward package ticks each box by allowing the employee to feel a part of the organisation and also allowing them to be compensated adequately for the work they carry out.

American reward specialist's Pat Zingheim and Jay Schuster believe that rewarding with cash is most effective when trying to enhance employee performance. They acknowledge that while there is a clear global trend in organisations trying to become a great place to work that it really these non-financial rewards are not what drives performance.

Conversely, the Chief Economist at CIPD John Philpot, believes that based on research conducted worldwide that non-financial rewards are the more effective than financial rewards when it comes to motivating employees. Based on evidence from the research he has conducted, he believes that financial rewards have a major role in enticing employees into an organisation and in retaining existing employees but it is non-financial rewards that have the greatest power to motivate. In particular, non-financial social rewards are favoured by what he describes as the most effective organisations. An example of such a reward would be to give a sum of money to a team for a night out or a meal. Its small amount of money and it's beyond the reach of the tax collector but it is effective because it's tangible and can be enjoyed instantly. This is a reward tactic that is being employed more frequently as organisations are being to understand the benefit of creating a bond between employees and the benefit that can have on employee productivity.

There is a warning attached to the views of Professor Lord Layard as he discusses how the use of reward can displace motivation, which supports Kohn's 1993 article on reward and performance. Layard, who was Director of Well-Being Programme at the London School of Economics, believes that the focus should be on what an employee can contribute rather than on how they are to be rewarded for doing the job they were hired to do. It is his opinion that designing a financial reward scheme to reward employees for a job they are supposed to do will distort their motivation and cause them to be less clear on the reasons they should be doing their job in the first place.

While the variances in the response of each of these reward specialists as to which method is most effect is vast, one uniting theme is the belief that how the reward is delivered is equally as important as the reward itself. This is in keeping with the view of Scott Gellar (2006) who believes the implementation and delivery of a reward scheme is of critical importance in order for it to be effective.

2.7 Total Reward after the Global Financial Crisis.

The global economic downturn has caused generous salary reviews to become a thing of the past and has driven increasing numbers of organisations to develop clear total reward strategies as an attractive substitute.

Lovewell (2011) considers total reward strategies as being one area that employers often fail to utilise to their advantage. She believes that total reward is a way of pacifying the large numbers of employees who are becoming frustrated by the limited salary increases that have been made available to them by their organisations in recent years. In her writing, Lovewell acknowledges that a common mistake made by employers is that in their reward strategies are based on what the organisation has historically deemed an appropriate method of compensation rather than tailoring the reward to suit the newer generations of employees.

2.8 The use of reward for retention.

Not only is reward a valuable tool in motivating employees, an attractive reward scheme can be a leading factor in the retention of talent in an organisation. There is a great cost associated with the resignation of employees, particularly those at senior level. It has been reported that the cost of replacing an employee is the equivalent to six months' salary of the in line with their post. In the event of the resignation of more senior employees, this cost can potentially rise to equal a 2-year salary (Fair, 1992). A more recent report cites various direct economic costs linked to the loss of an employee in an organisation including the downtime in the wake of the employee's departure, the cost of recruiting and interviewing potential replacements and the cost of training and developing a new recruit (Hagen-Porter, 2011). For this reason, organisations are keen to retain the talent in the organisation, a difficult feat particularly in sectors where there is a tight labour market. Schlechter, Thompson and Bussin (2015) delve further into the cost of losing top talent which extends beyond the direct financial loss and lists indirect costs such as disruptions to work, the loss of organisational memory and strategic knowledge, a deceleration of productivity and the risk of demoralised workforce if staff turnover is consistently high.

George (2015) notes that while there is a vast amount of literature on employee turnover and retention, the majority is focused on what factors influence an employee's decision to leave. This has caused a gap in literature regarding what encourages an employee to stay in their post.

It is incorrect to assume that the opposite of what causes an employee to leave an organisation is what causes them to stay. Loan-Clarke, Arnold, Coombs, Hartley and Bosley (2010) support this suggestion and note that while previously the primary concern was understanding why employees were leaving an organisation that more contemporary writers were seeking to understand the factors that influence employees to stay in the organisation.

While compensation is thought to be a dominating factor in employee retention, in the study conducted by Baron and Hannon (2001) they argue that transparency of reward is what affects retention. Although their study focuses exclusively on the nursing profession, Tremblay, O'Brien-Pallas, Viens, Brabant, and Gelinas (2006) acknowledge that there is a link between retention and employees feeling that the rewards they receive are a fair reflection on the effort put in to their work.

Traditionally, employers sought to improve retention within an organisation by offering employees a competitive pay package while overlooking the benefits of using non-financial rewards. This is no longer the case as Amunson (2007) explains that the youngest generation to join the world of work are looking at the wider picture in terms of the benefits being offered to them. This new generation of employees are looking beyond remuneration as a primary reason to join or stay in a company, which in turn is forcing organisations to tailor reward strategies to attract and retain top talent.

It is important when for an organisation when designing an attractive reward scheme that is distinct from its competitors. The WorldatWork report (2003) cite pay and remuneration as being simplest element of a reward scheme to imitate, therefore organisations are looking to non-financial rewards as a way of setting them apart from competitors. The non-financial rewards that are being used by organisations include; opportunities for career advancement, flexible working hours and the option for participating in training and development programmes. However, it is not simply a case of using either financial reward or non-financial reward, instead organisations are looking to total reward to efficiently diversify their reward packages so as to encompass various rewards that are appealing to employees across all levels (Rumpel and Medcof, 2006).

Smit, Stanz and Bussin (2015) work focuses on whether there is a generational difference in what encourages employees to stay with an organisation and they also examine the difference between managers and non-management employees in the type of reward they value. From their research they deducted that Generation Y placed emphasis on compensation, work-life

balance, and development and career opportunities as their top three total reward components. However, the same study shows that generation X employees value the same things and also place compensation as being the most important to them. These results are somewhat surprising as they contradict other studies (Giancola, 2008) which claim that generation Y employees are more interested in learning and development opportunities and having a voice as an employee above compensation.

Their research also explored the difference in the total reward preferences of those at managerial level and non-management employees. Unsurprisingly, it was established that those in management roles valued compensation the most as they already feel they are established in their career and feel that they have already experienced many development opportunities. Employees in non-management roles, while still listing compensation as being important, prefer development opportunities as they feel they are essential in building their careers.

These studies prove that while there is an increasing trend towards developing non-financial reward strategies to retain talent within organisations, that ultimately employees of any age or any stage of their career value compensation greatly. This is not to say that non-financial rewards are not also valued. This is vast amounts of literature that suggests that non-financial rewards are excellent tools in motivating staff as well as retaining them. Many theorists believe that social rewards play a huge role in retaining staff as it encourages a bond between colleagues and builds loyalty to an organisation.

Ken Jacobs (2007) writes about what he believes are the tools of improving retention. He lists seven types of reward he believes are essential in retaining talent including "A fun work environment". This is a stand out heading because until recent times, the term fun work environment would have been considered an oxymoron. Jacobs points out that while it's not always possible to provide employees with the type of work-life balance they crave, you can make the time they spend at work more enjoyable. He believes it is entirely possible to maintain high standards of work while making the workplace a fun place to be. The advantage to this, according to Jacobs, is that it creates a unique type of loyalty to an organization while also improving your employer brand, thus making the organisation more attractive to potential employees. A "fun work environment" is a method of non-financial reward for employees that has not appeared in much literature on the subject prior to this decade. One only needs to the likes of Google and Facebook to see that the concept of a work environment is shifting from a being having a formal corporate atmosphere to one that aims to be fun and creative.

Interestingly, in 2011, Forbes published an article claiming that one of the greatest rewards an employee of Facebook receives are "bragging rights". This is to say, while Facebook offers an array of attractive rewards for joining the tech company, many of its employees see the primary benefit of being employed by Facebook as a way of enhancing their CV and making them more attractive to other companies or to investors. Casserly (2011) estimates that 10% of former Facebook employees founded their own companies upon their exit from the social network company. This directly contradicts the findings of many reward theorists so believe that employer branding is a key tool in improving employee turnover and retention. Instead, this being a debate on whether a strong employer brand merely allows top talent to use an organisation as a stepping stone to further their own ambitions.

Kaye and Jordan-Evans (2005) are strong advocates in creating a fun work environment in order to motivate and retain your best employees. They believe that when the workplace is fun-filled that it generates enthusiasm amongst its workers, even in the face of an adverse economic climate. Their beliefs are also held by David Granirer who believes humour is one of the most powerful tools of retention an organisation can use. He believes that it is a necessary tool to boost morale amongst the workforce and keep them motivated. "Laughter may not change the external reality, but it can certainly help people survive it" (Granirer, 2003).

In contrast to most the authors cited, Chapman (2009) believes that the most effective retention strategies are implemented before the employee even starts their job. Unlike many reward theorists, she believes that creating generous reward package is futile if the employee does not feel a sense of belonging to the organisation. Although the sole focus of her work is on the employee turnover and retention of librarians, the theories discussed are applicable to any sector. Gering and Conner (2002) support this view as they believe that by the time an employee feels the benefit of their reward package they have already made up their mind about how they feel about the organisation and their role in it. These theories lend themselves well to understanding the importance of having a Total Reward strategy that includes non-financial social rewards so that employees start to feel like they belong to the organisation as early as possible.

2.9 Conclusion to Literature Review.

The literature reviewed for this research project gives a clear understanding of the various types of reward being used by organisations and the importance of designing a reward strategy so

that it aligns with your organisational goals. The literature suggests that the use of a total reward model is a solid basis for the design of all reward schemes, as it encompasses elements that satisfy employees needs, both intrinsically and extrinsically. A uniting theme amongst the writers referenced in this chapter is that the design and implementation of reward schemes should be unique to the particular organisation and that implementing reward strategies based on 'best practice' recommendations would limit the effectiveness of such a strategy. While a diverse range of opinions on the most effective types of reward were explored throughout this chapter it was found that the delivery of reward can be equally as powerful as the reward itself (Geller, 2006; Gagne, 2004 and Danish and Usman, 2010).

This chapter also examined the use of reward with respect to the Global Financial Crisis. This was a challenging era for many organisations who had once relied heavily of generous remuneration packages to retain talent. It is believed that as a result of the downturn in the economy, organisations are focused on designing favourable total reward packages as a means of attracting and retaining talent (Lovewell, 2011). This new focus on total reward packages has given precedence to the use of social rewards and incentives to improve employee retention. As discussed above, many companies are endeavouring to create a 'fun' work environment as a means of rewarding employees. While being a relatively contemporary reward strategy it is one that is supported by writes such as Jacobs (2007) and Granirer (2003).

The research presented in this chapter identified a gap in the existing literature as there is a distinct absence of research that takes into account the perspective of the employee. The existence of such a gap allows for additional relevant research to be conducted this area and the data gathered can be utilised to improve on the use of reward in respect to employee retention.

Chapter 3: Research Methodology

3.1 Introduction

Quinlan (2011) concisely explains the concept of research methodology as a way of informing the reader as to how the research was conducted and to describe the philosophical assumptions that underpin the research. This chapter will outline the research method and framework used in this study.

3.2 Research Aims and Objectives

The overall aim of this research project is to analyse the area of reward and recognition and the impact it has on employee retention.

3.2.1 Objective 1

This first objective of this research project is to analyse the various incentives that are being utilised by organisations. While a great deal of research has been carried out in the area of reward and reward management, it will be necessary to collate this data before attempting to formulate any understanding of the effectiveness such a management approach inspires.

3.2.2 Objective 2

The second objective shall seek to determine the personal response of employees working within an organisation that practices such reward techniques. It will similarly seek to demonstrate how employees value the variety of incentives offered therein; are financial incentives generally more welcome than more inventive alternatives? Although many previous studies have sought to analyse reward management and its effect on employee motivation (Deeprose 1994; Macleod and Clarke 2009;), there is a notable lack of critical appreciation for the employee's perception of this management technique.

3.2.3 Objective 3

Finally, the third research objective aims to determine the effect of reward schemes on employee retention within organisations. This will require looking beyond reward schemes already in place and focusing instead on the incentives that are most favoured by the employees investigated earlier on in this study. This is a particularly relevant area of investigation as many organisations are facing issues of high turnover amongst employees as the economy has entered recovery after the global financial crisis, especially in sectors where there is a tight labour market.

3.3 Research philosophy

The research philosophy can be defined as development of the research background, research knowledge and its nature (Saunders and Thornhill, 2007). There is a research philosophy framework found in every research project undertaken and Quinlan (2011) notes that the philosophical framework reflects the "worldview" which the research is situated within (Quinlan, 2011, p. 95). It is important

that each step of a research project should be appropriate to the philosophical framework that the research adheres to.

The basis for choosing the most appropriate method research is the research question and the research objectives. Guba and Lincoln (1994) believe that the question of paradigm (epistemology and ontology) is of greater importance to a research project than the question of method. Saunders et al (2009) suggests that the most pragmatic approach to determine which adaptation of epistemology or ontology is to use the research question as a guide.

Quinlan (2011) provides an explanation for each of these terms;

- Ontology relates to study of being, the nature of being and our ways of being in the world.
- Epistemology relates to knowledge, to what constitutes knowledge, and to the processes through which knowledge is created.

(Quinlan, 2011, p. 95-96).

Simply put, ontology is concerned with what is true and epistemology is concerned with methods of understanding and figuring out those truths. Keeping in mind the aims and objectives of this research project the paradigm that is most appropriate to follow is an epistemological approach.

There are three dominant views on epistemological research philosophy which are; positivism, interpretivism and realism. It is worth noting that there is no particular research philosophy that is better than the others, instead each philosophy could be regarded as being more appropriate than the others for a particular research question. Fisher (2004) suggests that research conducted in the field of business is most often a mix of positivism and interpretivism but also taking into consideration the view point of realism.

3.3.1 Positivism

When conducting research in which the research philosophy reflects the principles of positivism the researcher will take on the role of an objective analyst. This means that the researcher analyses data that has been collected without any bias and makes impartial interruptions based on that data. With this type of research there will great emphasis on a well-structured methodology and quantifiable observations that can be analysed statistically (Gill and Johnson, 1997). It is always assumed when adopting the principles of positivism as the research philosophy that the researcher in unbiased and impassive towards the subject of the research.

3.3.2 Interpretivism

The principles of interpretivism would be utilised as a research philosophy by a researcher who feels that it is necessary to look beyond statistical analysis and examine the reality and complexities of a situation, rather than attempting to generalise it. Those who favour interpretivism believe that the

research subject is too complex to be theorised by the narrow and definite laws in the same way as a physical science (Saunders, Lewis and Thornhill, 2003). An interpretivist researcher would have objectives that aim to gain an understanding of the subjective meaning behind particular actions so as to understand them.

3.3.3 Realism

Saunders et al (2003) explains that realism "is based on the belief that a reality exists that is independent of human thoughts and beliefs" (Saunders, et al, 2003, p. 84). This is to say that people can be affected by social forces and processes without being aware of such influences on their views and behaviours. A researcher who follows the realist principles of research philosophy recognises

people's socially constructed interpretation of reality within the context of social forces that mould their behaviour.

In the case of this research project the most appropriate epistemological approach includes adopting the principles of interpretism. This is the most appropriate method when taking into consideration the overall aim of the research project and the meaning of interpretivist research. When using an interpretivist method of research, it would be logical to adopt a qualitative method of gathering and analysing data (Bryman and Bell, 2007).

Dey (1993), Healey and Rawlinson (1994) have listed the defining characteristics of qualitative research as being

- Based on meanings expressed through words.
- Collection results in non-standardised data requiring classification into categories.
- Analysis conducted through the use of conceptualisation.

(Saunders et al, 2003, p.378).

A qualitative research strategy usually collects data through interviews, focus groups or observation. Unlike quantitative research, qualitative does not seek to test hypotheses but instead focuses more on the subjective nature of research.

3.4 Research Approach

When conducting a research project, the researcher must choose either a deductive or inductive research approach appropriate to the research philosophy. A deductive approach will seek to use an existing theory that shall enable qualitative research and data analysis. Whereas research conducted from an inductive position will create a theory which is contrastingly grounded in relevant cases (Saunders et al, 2003).

Taking into consideration the overall research aim "to conduct an exploratory analysis of the area of reward and recognition and the impact it has on employee retention" and the interpretivist principles of research philosophy that will be adopted to conduct this research, it is more appropriate to adhere to an inductive approach whilst carrying out this research. The researcher aims to garner an understanding of how reward policy effects retention by determining how employees view reward policies and how reward policies affect their desire to continue working with the same organisation. Therefore, the research aims to get a better understanding of the relationship reward has with retention by gathering data and analysing it to formulate theory.

Although a deductive or inductive approach shall yield valuable data for this research, the particular type of data gathered will noticeably vary depending on the approach undertaken. In the case of this research project the inductive approach to research is more appropriate because it is less concerned with the need to generalise and allows for a more flexible structure to permit changes as the research progresses (Saunders et al, 2003). The research objectives of this project are to gain a better understanding of how employees feel about reward policies and how these feelings effect the choices they make with regard to staying in an organisation. These objectives are related to the complex natures of what influences human choices, rather than having a rigid focus on whether there is a connection between reward and retention. These objectives lend themselves to the inductive method as it allows for alterations to the research question as the research develops which may be necessary as it is difficult to predict the outcome of the data being gathered. Whereas a deductive approach would have a greater emphasis on a cause-link effect.

3.5 Research Strategy.

Taking into consideration the philosophical framework of the research and the research approach as outlined above, it is necessary to select the most viable research strategy for this study in terms of how it will aid the fulfilment of the research aims and objectives. It is unfeasible to fulfil these research aims and objectives in a quantitative manner as they deal with complex issues of human behaviour and human interpretations. Therefore, it is more appropriate to adopt a qualitative research strategy to gather the necessary data. Qualitative data can be understood as being non-numerical data which deals with feelings, thoughts and understanding (Quinlan, 2011).

Quinlan (2011, p.289) explains that within research "Interviews are generally used when the researcher wants the participants to focus on a particular phenomenon and through that focus generate some ideas about and/or insights to that phenomenon". Interviews can serve as a tool to generate data for both qualitative and quantitative research. As quantitative research is situated in the positivist research philosophy, a quantitative researcher would conduct highly structured interviews to generate the necessary data. Those following an interpretivist paradigm of research, as is the case with this research project, would deem semi structured interviews as being most suitable.

3.5.1 Semi Structured Interviews

Anderson (2011) offers a rationale as to why a semi structured interview is a beneficial way of gathering data, demonstrating how it enables the interviewer to build on the answers they receive to gather a rich quality of information. When considering the research objectives that aim to gain an in-depth understanding of employee's perception of reward, a research strategy which allows for the gathering of such detailed and comprehensive data would be considered to be the most apposite.

The use of semi-structured interviews will allow the interviewer more flexibility with the order of questions being asked and will also tolerate any digressions on the part of the interviewee. It is important with these type of interviews that the questions used are of a probing nature to ensure that the responses given are in-depth.

3.6 Participants

Participants were chosen for this study from a variety of sectors to gain a more comprehensive view of employee perception on reward. However, the researcher did not gain the diversity in age range intended for the study and failed to gain the perspective of those in the 50-65 age bracket.

3.6.1 Participants Profile

	Gender	**Age**	**Occupation**
Participant 1	Female	20-25	Working full time in for large retail organisation in administrative role.
Participant 2	Male	30-40	Working full time in for Security Company as remote location security guard.
Participant 3	Male	25-30	Working full time in multinational tech company as software engineer.
Participant 4	Female	30-40	Working full time in large hospitality organisation as operations supervisor.
Participant 5	Male	25-30	Working full time in accounting firm as trainee accountant.
Participant 6	Male	40-50	Working full time in large retail store as store manager.

3.7 Limitations

There are limitations associated with all types of research methodologies. Cooper and Schindler (2014) explain that qualitative research, while having roots in many disciplines such as anthropology, sociology and psychology, has often been overlooked in a business setting by senior management on the basis that it lends itself to being too subjective to bias both in data collection and data analysis. However, despite this negative evaluation of qualitative methods, it is clear that they serve a purpose in gaining more insightful and less generalised information. As this research project is using semi-structured interviews as the chosen method of data collection it is important to be aware of some of the limitations associated with this type of research method.

One such limitation of using interviews to gather data is the potential that in a one on one interview the interviewer may unfairly influence or lead the responses of the interview in some way. Such action is a source of bias in interview data (Saunders et al, 2009). According to Jankowicz (2000) bias is controlled prior to the interview taking place. This is done by designing the interview in such a way to avoid an under representative sampling or inadvertent omission of important questions relating to the research topic. This aligns with Dumay's (2011) belief that only by planning out an interview will the interviewer be able to extract rich and informative data. Although probing questions are an essential part of conducting a semi-structured interview, as discussed above, there is potential to probe the interviewee in such a way so as to influence their answer.

A second limitation of using semi-structured interviews is that is difficult to verify that the answers being given are truthful. Given that the aim of this research project is to gain insight to employee's perception of reward, the questions being asked could be regarded as being intrusive. Topics of remuneration and compensation are generally confidential matters and to ask participants to discuss them in an interview may lead to untruthful or inauthentic answers in order to preserve privacy.

3.8 Ethical Considerations

It is important with all research projects that the researcher addresses any ethical concerns that may arise. When gathering data for a research project, particularly through the use of interviews, it is vital that the researcher considers the participant's right to informed consent, the participant's right to withdraw and the participant's rights to confidentiality/anonymity (Saunders et al, 2009). To ensure that these rights were not violated when conducting the interviews, participants of this study were given an overview of the aims and objectives of this study and information on how the data would be stored. In order to protect confidentiality, as well as to encourage a more authentic response, participants were reassured that all names (be that of the participant or their place of employment) would be changed.

Chapter 4: Findings and Discussion

This chapter will discuss the findings from the semi-structured interviews that were discussed in the previous chapter and will look at the emerging themes and how they align with the research objectives.

4.1 Research objective 1

Research Objective 1:

This first objective of this research project is to analyse the various incentives that are being utilised by organisations.

Themes:

- Bonuses schemes are still a predominant method for rewarding employees.
- Flexible working hours are being used as a method for rewarding employees.

4.1.1 Bonus schemes are still a predominant method for rewarding employees

The commonplace use of bonuses was one theme that emerged from the interviews. Five out of the six participants said that they had received bonuses as a reward from their current employers. It was important that the researcher find out what types of reward schemes are being used by organisations as the basis of this study. There were variations between the criteria for receiving bonuses, with most of the participants who were in receipt of a bonus stating that it was based on performance.

Participant 1 said that she had a received a Christmas bonus and that it was based on her service with the company.

"*I haven't been in the business that long but I got a small bonus at Christmas. I think it was €100. People who have worked here longer got more. I think they're calculated based on service and I had been with the business less than 3 months at that point.*" (Participant 1)

Whereas three other participants said that they're bonus was based on performance.

"*There's the opportunity to get a good bonus, they set targets you have to meet though. If you meet you target your bonus is really good. Occasionally if you miss your target they still give you a bonus, a small one, just if it's a thing that you have put the work in but the sales aren't there and it's because of a quiet season or something. They know that you've done all you can in terms of your own performance but the environment is bad, so they will still give you something of a bonus.*" (Participant 4)

"*All the store managers receive a quarterly bonus. You get marked in five categories and each of them makes up 20% of your bonus. You might have the potential to get €5,000 for a quarter but you only get*

2,000 because you haven't met the criteria in 3 of the categories. It's hard to get all the categories, I don't think I've ever got my full bonus. The shop could do really well and you get meet your criteria for sales and you've met your criteria for waste, but you might fail the HR part because people are working so much overtime that you've blown the budget or people keep breaching the 11-hour rest period, so you lose out in that, but if you don't have people working those hours you mightn't get the sales. It's very hard to tick all the boxes." (Participant 6)

One participant said his bonus was specifically linked to his performance in exams.

"*You get a bonus for passing your exams. Everyone gets the same bonus for passing regardless of how well you do. Well, unless you have placed in the exams. If you're results are in the top 10 for the country, you get a bigger bonus. Which is something I haven't achieved personally-but I know two guys who have and they got great bonuses*." (Participant 5)

A participant who works in the tech sector said that the company give bonuses when a large project is complete or as a reward for referring a new employee to the company.

"*I have received a bonus for when I finished a massive project. The whole team received one, but it was something we were working on for like 9 or 10 months. Towards the end we were working 16 hour days to get it right. So we each got a bonus. We don't get any at Christmas or anything so it was nice to get that. The only other bonus I ever received was a €2500 referral bonus, which was brilliant! I basically got it because a friend of mine was enquiring about a job here, she was looking at a recruitment position and we have a way of recommending people for positions and if they're successful and they get the job you get a bonus. I was pretty pleased because she was going to apply anyways, so it was more a chance of luck that she told me about it so that I could put through her CV*." (Participant 3)

4.1.2 Flexible hours are being used as a method for rewarding people.

Another theme that emerged from the interviews pertaining to the first research objective was the use of flexi-time as a reward. Three of the participants discussed the use of flexi-time as a reward in their jobs.

"*They also do flexi time in the office. When I received my letter saying that I had passed my probation it also said that as a reward for passing it I would be put on flexi time."* (Participant 1)

"One of the great things is the flexible hours, they really used that as a selling point when they're talking about the perks of the job. There are no set hours as such, but it's an unspoken rule that no one comes in later than midday. The director is constantly reiterating that this is a big reward, that other companies wouldn't give such flexible hours. Which is probably true." (Participant 3)

One participant said that flexi-time is something that is given as a reward for service with the company.

"*Once you get passed the three year mark you get flexi-time. You just clock in and out on your laptop and HR have access to your time sheets just to make sure you're not abusing it and working too few hours. That never happens though, most people in third year end up working overtime. It's just so that you have more control over your start and finish time and if you need to take a long lunch for an appointment that you don't have to explain yourself to your manager-you can just do it. I suppose it's their way of telling us they trust us*." (Participant 6)

4.2 Research Objective 2

Research Objective 2:

To seek to determine the personal response of employees working within an organisation that practices such reward techniques and to seek to demonstrate how employees value the variety of incentives offered therein.

Themes:

- Pay is an effective tool of reward.
  - A good salary is more important than benefits such as health care.
  - Poor pay leads to feelings of demotivation.
  - Autonomy over work is also a valued tool of reward.
- Financial reward was more favoured than non-financial reward or recognition.
  - Bonuses and financial reward have a greater impact on motivation than recognition schemes.
  - Recognition had less of an impact if it was group recognition rather than individual recognition.

4.2.1 Pay is an effective tool of reward.

Upon conducting the interviews, it became clear that the participants viewed pay as an effective tool of reward. Half of the participants felt that a good salary was the most important element of a reward system. While not all participants were satisfied with their salaries or rates of pay, they believed that pay reflects their worth in an organisation. That is, those who felt they were being underpaid also felt that they were under-appreciated at work. All participants referenced a link between their pay and feeling motivated at work.

"*If you're doing a good job you want to see a good pay cheque every month, it doesn't matter if there's free fruit everyday or if you're boss tells you you're great, you want the money*." (Participant 1)

"*I would feel most rewarded if they kept increasing my pay. That's my honest answer. It's good to have good holidays as well, but I'm at a stage in my life where I'm focusing on increasing my salary. I know when they're recruiting college graduates they tell them about the other benefits because they pay is low at the beginning but I think what gets people to join the company, or any of the other big firms, is that they know they have the potential to make good money, not that they get discounted health care or anything like that*." (Participant 5)

"*In this job pay is important, I wouldn't do the job I do if I didn't get paid well because the job itself isn't very rewarding. I think it's depends on the person and the job, like it might be different for doctors or nurses, but retail isn't rewarding. It's great to exceed targets and it's good to know that the shop is doing well but at the end of the day it's not like you're saving lives or fixing peoples problems. There's other good things, it's not just the pay. We pay into a pension, which is something I think about now more than I ever did. It's good to know that's there too. There's also a good death-in-service pay out, which sounds like a morbid thing to think about, but when you have kids you do think about these things*." (Participant 6)

Two participants felt that they were being under paid and that their salaries were not reflective of the work they do. This lead to feelings of dissatisfaction with their current employment.

"*There aren't enough rewards with this job. I could go as far as saying there are no rewards, apart from the fact they have to pay us. It can be really hard work and the hours are unsociable. Its one of those jobs that people don't have much respect for because it's crap work and crap pay. You just don't feel good doing a job like this. At least if the pay was better you could justify it, it would still be a tough job but at least you're being well compensated for it. That's not the case at the moment, all the other lads who I work with are all looking to leave, to get out of security.*" (Participant 2)

"*I don't honestly feel that the pay I receive is enough. I guess a lot people would feel that way about their jobs though. The work is hard, I put in a lot of hours and as well as that I'm constantly checking emails and answering texts on my days off. Sometimes I do feel a bit fed up with the place because I think I should be getting more money for the work I do. When I took the job, I was happy with my salary but I didn't realise that I would be working as many hours as I do. I think the owners need to review my salary or my role."* (Participant 4)

Conversely, one participant said that autonomy over projects was the most important reward rather pay.

"*Autonomy is the number one thing; I need to feel like I can be in control in a project. If I didn't have that I wouldn't care, I'd just end up writing crap software. If I was getting really high pay but was being*

micro managed I wouldn't do it. It wouldn't be worth it. That's what makes me feel valued, having the freedom to do something the way I think it should be done." (Participant 3)

4.2.2 Financial reward was more favoured than non-financial reward or recognition.

Most participants spoke about financial rewards such as pay and bonuses having more of an impact than non-financial rewards. Although they did not completely disregard the need for recognition, most participants felt that tangible reward is what works best. Many viewed in-direct financial rewards, such as social rewards and various other perks (gym memberships, catered lunches, etc.) as being secondary rewards.

"*We get a gym reimbursement which is awesome, but it's the kind of thing you can live with out either. Like people in the office always say that if they got a pay rise they wouldn't need the company to reimburse their gym memberships, which is a good point. I think the company want to look like they care about our health and wellbeing, which I'm sure they do. They hate when people take sick days*." (Participant 3)

One participant expressed the opinion that recognition was a factor in creating a good working environment but it still does not have the same effect as being in receipt of a good salary.

"*I don't think I'd stay if I job was really poorly paid but I got a lot of recognition, it would be a nice working environment but I wouldn't really feel like I was progressing. I think you need to have that price tag attached to your job to make you feel good about the work you do."* (Participant 1)

Participants mentioned that the affect of recognition was diluted when the same reward was given to many colleagues or when it was too generalised and not pertaining to a specific action or project.

"It's kind of weird because sometimes it's like recognising us for being in the company, not for anything we've done really. Well they do recognise you if you do something really brilliant, they do recognise that. We have champion's dinner, but there are two types of champions. It's essentially employee of month. For the Dublin champion, it's for someone who performed well that month and each department has a champion. So each champion from each department goes to dinner with high ranking executive. At first it seems like an honour, but really they try to give it to everyone, which kind of makes it less of a reward." (Participant 3)

"They bring us out on nights out where there's a massive tab at the bar, so it's really a great way to let your hair down. It's good as well because it gives you to talk to people who work above you, like directors and partners, in a casual setting-there's no real opportunity to do that in work. The thing is, it happens every quarter and we know its going to happen. Everyone gets to come along, regardless how they've performed. So while they're kind of recognising that we've worked hard, its just like they're ticking a box. It doesn't really feel like they're saying a real thank you because it's available to

everyone. I certainly don't really feel recognised after events like these, because the people who work really hard get the same treatment as those who don't pull their weight." (Participant 5)

Further to this point two participants spoke about recognition being more important is management roles.

"*I think if I was a manager and I was doing a great job, I'd expect recognition. I see it here, the manager tries out new ideas or new initiatives and when they work they're looking for that acknowledgement from the owners. Sometimes they don't get it and that really frustrates them. I can understand that, I'm not at that level yet so I don't really have the freedom to make big changes, but if I was implanting new strategies to drum up business and they worked I would definitely expect some proper recognition. Even just a thank you or to know that your success is being communicated to other branches. I've seen the owners pass on ideas that other managers have come up with, but they never credit the managers for it*." (Participant 4)

"*Yeah recognition is definitely important, just not really at this level. If I had one of the management jobs and I was trying to co-ordinate locations and rosters and kept track of peoples traveling, then I think I'd like to be recognised a bit more. But my job at the moment is pretty straightforward, it can be difficult depending on the site you've been sent to, but I wouldn't expect my manager to say "great job" because that's the job I'm getting paid to do. There's no room to go above and beyond your duties in a role like this, so I wouldn't expect to be getting a big thank you. If I had a job with a lot of responsibility I probably would*." (Participant 2)

This directly contradicted the views of one of the participants who held a management position.

"*We have recognition schemes for the sales assistants, not really for any of the middle management. There's an employee of the month scheme, if an employee is really performing well then they can be nominated by their duty manager. Truthfully it's all a bit ad hoc, it doesn't happen every month. I think it's a good thing, because sales assistants can really lack motivation or get bored. At least with something like this they feel that they're achieving something.*" (Participant 6)

4.3 Research Objective 3

Research Objective 3:

To determine the effect of reward schemes on employee retention within organisations.

Themes:

- A clear career path is important in order to retain talent.
    - Training and development is a key tool for improving retention.
- Moving jobs is seen as a more effective method of securing a better salary.

4.3.1 A clear career path is important in order to retain talent.

When asked about the effect of reward schemes on retention within organisations the answers from participants varied greatly. Some said that they would need to be guaranteed a steady pay increase to stay in their current employment, whereas others said that a clear career path is more important to them. That is, they would wish to have an increase in responsibility and in some cases a change in job title.

One participant felt that if she remained in her current employment without a change in job title that it would reflect negatively on her for future employment. For this reason, she felt that she would need to leave her role within a particular time frame.

"*I think I would be encouraged to stay in this job for maybe another year to two years if I was getting a €2,000 pay rise a year. At the moment though I'm working an entry level role, so I couldn't do it indefinitely, even if I was getting a pay rise. It just wouldn't look well on my CV that I was an administrator for more than two years. Future employers would wonder why you didn't progress to a better job title, you would give the impression that you weren't capable of progressing or maybe that you weren't capable of taking on a more responsible role*." (Participant 1)

Another participant felt that not having a defined career path was demotivating and has caused him to consider looking for a new job in spite of the rewards being provided by his current employers.

"*A lot of people would say I have a dream job, because my pay is good and there are so many perks but a big issue is that I don't know where I'm going. I've no idea what my career progression path is here, and it's demotivating, I've felt like I could be getting promoted for a year now. This is probably the downside to recognising everyone, we're getting inflated egos. Sometimes I think it's risky not to be looking for other jobs where you have a more defined career path. In a way getting so rewarded means that I feel a bit trapped. I don't think I could get the same type of job with any other company and get the rewards I get here-at least not in Ireland*." (Participant 3)

One participant spoke about the importance of training and development and how it would affect his decision to remain with his current employers.

"You're given a three-and-a-half-year contract but that can be terminated if you fail your exams, you have to pass all the exams within the timeframe. People chose to move on after that and some people leave before their three years are up but that wasn't an option for me, no matter how much I hated it. I think it's really good that you get all your exams and books paid for as well as getting time off for study. I would definitely consider staying on after my contract because I know what while I'm here I will have the option to study other forms of tax and not be confined to the one area. I know it seems a bit sickening always doing exams but the more you do, the more you're worth to the company so you'll eventually getting really good pay. I think that's it's a good way of keeping people on board." (Participant 5)

Another participant had discussed training and development in her current role as a stepping stone to getting a more senior role in the future. She felt that her role is allowing her to develop managerial skills that will make her more appealing to future employers.

"*To me this is a learning position, it's allowing me to develop skills that I can use to get a more senior role. It works both ways, I'm being developed here and I'm getting the opportunity to learn skills that I can take with me but while I'm working here I'm giving it 100%. My employers are getting what they need as well, which is someone who is putting in the hours and doing the graft. It's not so much formal learning as just on the job practical experience*." (Participant 4)

4.3.2 Moving jobs is seen as a more effective method of securing a better salary.

One particular theme that emerged from the interviews was the belief that an employee is likely to receive less of a pay increase by being promoted in their current employment than if they were to take up a job with a new employer. It was a generally held view that companies who promote internal talent offer less money than they would to external talent.

"*You see it all the time here, someone applies for a new role and they probably get a couple of grand less than what they would be willing to pay an external hire. I know it myself from previous jobs, you don't get massive pay increases with a promotion*." (Participant 4)

Two participants felt that it was easier to get a more favourable pay increase from a new employer as they wouldn't be familiar with any weakness or gap in skillsets that her current employers may be aware of.

"*There's this expectation that as a graduate that your skills are going to go stale if you're not job hopping every two to three years. I'm not sure about the effect is does actually have on your skill set but certainly it's the most effect way to move up the pay scale. It's much easier to go to a new employer and tell them what your salary expectation is than to go to your current employer and have to negotiate a pay rise. I guess in a way it can be dishonest, but when you're going for a new job you're selling yourself as best you can. In your own job your line manager knows what you're capable of, they know*

your strengths and weakness and they're more likely to use that against you and say you don't deserve the increase. There are more jobs out there now, so you're less likely to put yourself through that. It's probably easier just to go for a new job and tell them what you want to be paid, so long as your expectations are realistic." (Participant 1)

It was also felt that promotions and pay increases become less frequent as you move up the career ladder.

"*It's not realistic to say that you're going to get a new job every three or four years. You wouldn't' be able to keep doing that. There comes a point where promotions slow down and that's natural. You wouldn't want it for yourself either. There's a lot to be said with being familiar with your role and your work environment. It's obviously different when you're starting out, but I think young people have this belief that they have to keep moving. Work environments are always changing, there's always new challenges and new issues to be tackled. It's very rare that you would face the same challenges year in, year out*." (Participant 6)

"*Once you're fully qualified obviously you're in a position to make good money. While I might progress quite quickly in the next five to ten years, it will start to get harder after that. There isn't an infinite amount of well paid senior positions. I don't expect to keep getting promoted and keep getting pay rises every five years, that's not how it works unfortunately*." (Participant 5)

4.4 Discussion

This section will examine the connections between the analysis of the data gathered and the literature review (Chapter 2) to characterise the outcome of this research project.

The overall aim of this research project is to analyse the area of reward and recognition and the impact it has on retention. The focus of the literature review was to examine the vast amount of research that has been conducted in this area. The researcher felt that there was a gap in these studies and chose to focus on employee's perception of reward and the impact it has on retention. While many of the findings of this research project were in line with the findings from the literature review, some of the themes that emerged were unforeseen.

4.4.1 Cash is King

The most surprising theme to emerge from interviews was the participant's predilection towards monetary reward. The uniting theme amongst almost all the interviews was that pay and cash bonuses were the favoured method of reward and few went as far to say that they felt motivated by pay. This is a contradiction to Kohn's (1993) article which supported Hertzberg's belief that pay does not motivate employees, but unsatisfactory pay can serve to de-motivated employees. However, as discussed in Chapter 2, Beer and Cannon (2004) felt that pay can motivate employees in the wrong way as

their salary becomes the focus of their motivation rather than the organisation goals. This was something that was not openly addressed in the interviews conducted, but there was a clear sense that those who said they felt most motivated by money were focused on personal gain but did not make any reference to how their performance may benefit their employers. In terms of retention, most participants stated that pay is important factor to consider when leaving a job and the belief was generally held that moving jobs was the most effective way to move up the pay scale.

Although it is not astonishing to discover that employees valued cash, it came as a surprise to see how far ahead of other types of rewards the participants seemed to place it. This could be on account of the country recently exiting the economic downturn it was experiencing for so many years. As stated in Chapter 3 it was felt by Lovewell (2011) that in times of economic downturn that organisations were not correctly utilising non-financial rewards to conciliate frustrated employees. Now that the economy is in recovery, it is possible that employees are focused on pay and bonus incentives to requite the loss of reward they endured during those times. Had organisations created effective non-financial reward schemes during the downturn of the economy it is likely that employees would be less focused on monetary reward as they would have felt less of a loss if they had been rewarded by other means.

Another possible explanation for the participants focus on their salaries and bonuses is the recent change in mortgage criteria for first time buyers. With only two of the six participants currently homeowners, the remaining participants of this study may be conscious of the demands of the new criteria for first time buyers. This point was mentioned in one of the interviews when one participant felt that being part of a pension plan with no option to opt out was putting a strain on her colleague's ability to save for a deposit for a house.

"The down side to that is there is no choice in the matter, the pension gets deducted from your wages once you meet the criteria. It's pretty annoying actually as a lot of people would prefer to not start a pension so early and just have the money. I know a girl here who's looking to save for a deposit for a house, for her starting a pension really just isn't a priority right now. I think you should have the chance to opt out. It doesn't feel like a benefit in that way, because it's forced on you." (Participant 1)

4.4.2 Pathways to retention

A second finding of this research project was the importance of a defined career path, particularly in terms of employee retention. It would appear that employees are more likely to stay with an organisation if they feel there is a defined career path. One could credit this to the young age brackets that were being interviewed for this research project. The notion of having a 'job for life' has become obsolete to Generation Y employees and they not only accept that they will move organisations many times in their career path but they acknowledge that this change is healthy and will help them to develop their skills. In saying that, the participants felt that it is important to know that their career is progressing and were

hesitant to allow their skillset to become stale and showed concern that they would be pigeon holed to a particular area. Unsurprisingly, this was contradicted by the only participant in the 40-50 age category who expressed the opinion that the younger generation undervalue the prospect of staying in a job for many years. It was his belief, based on his own experiences, that environmental factors such as the economy and globalisation will cause jobs to change and so too will the skillset required to face these changes. Although there are merits in both view points, it demonstrates the clear difference in perspectives of the two generations.

4.4.3 Organisations are engaged in promoting a healthy work-life balance for employees.

The importance of an all encompassing total reward schemes was a reoccurring theme in the literature reviewed in Chapter 2. Smit, Stanz and Bussin (2015) listed compensation, work life balance and development and career opportunities as being the top 3 components of a total reward model for Generation Y employees. However, the data gathered for this research project refutes their findings as work life balance did not feature as a prime concern for the participants of this study. Most of the participants believed that work-life balance the responsibility of the employee, not the employer.

"*Work-life balance is all about the pressure on yourself. You want to prove yourself and you don't want to seem like you care. If someone sends you an email at the weekend, you don't have to reply, you wont get in trouble for it-but you don't want to be the only guy not replying to emails at the weekend*." (Participant 5)

While some admitted that they do not always strike a good work-life balance they felt this was not a result of being under pressure from their seniors but rather the pressure they put on themselves. Many organisations now have an awareness of the importance of allowing employees to maintain a good work life balance, as it reduces the chance of employees becoming "burnt-out" (Brauchli, Bauer and Hämmig, 2011). The data gathered for this research project suggests that organisations have already learned how to promote a healthy work life balance and have left the employees with the impression that it is their own duty to maintain this balance. That is to say, that the participants of this study did not list work life balance as a priority because their employers are already engaged in initiatives to promote a healthy balance.

4.4.4 Perks and social rewards are not an influential factor in an employee's decision to remain in a particular organisation.

Despite the young age profile of the participants of this study (with 3 out of the 6 participants falling into the 25-30 age category) there was an unanticipated disregard for social rewards. The data suggests that none of the participants in this study felt that social rewards were a persuasive tool of retention. This is contrary to the findings of theorists mentioned in Chapter 2 (Kaye and Jordan-Evans, 2005; Jacobs, 2007) who felt that 'fun' rewards were an excellent way to keep employees engaged and retain talent. Although the participants acknowledged that social rewards and perks such as cocktail evenings at the office and team bonding outings create a good working environment, they felt that those rewards alone would not impact on their decision to stay in an organisation.

"*If I left I'd probably miss some of the cool stuff, like the beer taps in the office and the catered lunches. The novelty wears off after a while. I think the company knows that though. It's more of a hook to get you in, but it wouldn't be a reason to stay. It's good fun at the beginning and then it wears off a bit*." (Participant 3)

Taking account of the view point of the above participant, it is fair to say that social rewards and perks would be more effective as recruitment initiatives. This is not to say that these types of rewards do not serve a purpose or should be deemed as frivolous, rather that their impact on employee retention is limited.

Chapter 5-Conclusion and Recommendations

5.1 Conclusion

The aim of this project was to conduct an analysis of the area of reward management and the impact that it has on employee retention. This research paper outlined 3 main objectives that needed to be fulfilled in order to satisfy the overall aim of this study. Upon analysis of the data gathered, it can be concluded that these objectives were adequately met.

The study reviewed the existing literature surrounding the area of reward management and identified that there was a gap in respect to the understanding of employee's perception on reward techniques and what they feel is more influential in terms of improving employee retention. Upon identifying this gap, the research then outlined the various methodologies that may have been used to gather the necessary data. It was decided that the most appropriate approach to the research would be a qualitative method as it would allow for a deeper insight into the topic. The research then proceeded to conduct six in-depth semi-structured interviews. Although this was deemed the most appropriate method of data collection for this study it was not without it's limitations. With all interviews, there is the possibility that the interviewer may create bias by leading or influencing the responses of the participants.

The data collected was analysed and themes were identified. These themes were analysed in light of the findings from the literature reviewed. The main findings indicated that financial incentives were of considerable importance and that having a defined career path impacted on an employee's decision to remain in their current employment. Other data gathered contradicted some of the findings of the literature review. The literature reviewed for this study indicates that allowing for a good work-life balance was an issue in many organisations, however, the data from the interviews suggested that employees felt that any in-balance was a result of the pressure they put on themselves, opposed to pressure from their employers.

The focus on financial reward can be contributed to the economy recently recovering from the downturn it had endured over the past few years. During the global financial crisis, as discussed in Chapter 2 of this study, many organisations abandoned the salary reviews that they had once used as their prime reward strategy. As mentioned in other studies (Lovewell, 2001), organisations needed to create a strong total reward package in order to atone frustrated employees. However, it would appear that many organisations failed to do so and as a result employees are now more focused on generous remuneration packages and financial incentives than before. The data collected for this study indicates that dissatisfaction with remuneration packages was a motivating factor in why many employees leave their jobs. Another finding suggested that employees believe that they are more likely to receive better pay by gaining new employment rather than receiving a promotion or pay increase in their current employment.

The data collected for this study shows that having a clear career path is an important element of improving employee retention. Employees are more likely to stay in an organisation if they feel that there are opportunities to develop skills and for career progression. When employees are unsure that there are such opportunities in their current employment they will consider changing employers so as to prevent their skill set becoming stale.

A finding of this study which contradicts some of the findings in Chapter 2 is the importance of creating a fun working environment through the use of social rewards and perks. While such types of reward are effective in enticing talent to an organisation, these types of reward do not serve to retain that talent.

5.2 Recommendations

The findings from this study allow a clear insight into how companies may rectify high employee turnover. Although every organisation must welcome a certain level of employee turnover in order to gain fresh perspectives and prevent work practices becoming stale, studies show that a high rate of employee turnover has a negative impact on productivity and can prove costly to organisations (Hagen Porter, 2011; Schlechter, Thompson and Bussin, 2015).

Upon analysing the data gathered for this study the following recommendations as to how reward strategies can be used improve employee retention:

This study shows that employees favour financial rewards such as good pay and bonus schemes. Organisations should review the remuneration packages they offer employees and the financial incentives available. Although this may appear to be an unrealistic and costly recommendation, it is important to consider the cost incurred by organisations that face high employee turnover as outlined in Chapter 2.

The researcher also recommends that organisations who wish to improve employee retention create training and development initiatives so that employees can develop their skills. A finding of this study shows that employees are less likely to leave if they feel that they have an opportunity to progress. Allowing employees an opportunity to develop new skills provides employees with a sense of security that will encourage them to stay in the organisation.

While social rewards and perks are proving a popular technique for rewarding employees, the data gathered from this study suggests that the appeal of such rewards are limited. While these are effective tools in recruiting talent they are not considered a strong strategy for retaining talent. Organisations may wish to consider less costly rewards, such as recognition programmes which

would be more beneficial to employee retention and allow the company a larger budget for traditional financial incentives such as bonus schemes and pay increases.

All of the above recommendations can be adopted to create a strong total reward package, the merits of which have been outlined in Chapter 2 of this research project.

Personal Learning Statement

This dissertation has been the biggest challenge of my academic journey but also the most rewarding. In conducting this study, I have been awarded an opportunity to research an area of HRM that was of particular interest to me and I feel that in fulfilling the objectives of this project I have learned skills that will stand to me in both my academic and professional life.

By researching the topic, it allowed me to critically analyse existing literature and identify gaps in existing research relating to the relationship between reward management and employee retention. It was necessary to study a variety of research methodologies in order to choose the one I felt was most appropriate to the study. I felt that a qualitative approach was suited to this study as it would allow for a deeper insight to the research topic. However, as mentioned throughout the study conducting interviews was a time consuming process and I faced challenges in designing the core questions that needed to be asked in order to fulfil my research objectives. As the subject of reward is covers the area of remuneration I had to be respectful of participants right to privacy and endeavour to avoid asking questions that may be deemed intrusive. If I carried out similar research in the future, I would consider adopting a mixed methodological approach as I feel that a questionnaire may be more suitable when studying the area of pay and remuneration.

I believe that outlining recommendations based on the findings of my studies allowed me to see the value of the research conducted and instilled a greater understanding of business research. This was the most rewarding part of the project as it allowed to me take the theory I had learned and present it in a practical setting.

In completing this dissertation, I have gained a better understanding of the area of reward management and its impact on employee retention. As well as that, I have developed analytical skills that will help me in any further educational endeavours and in my professional ventures.

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Appendices

Appendix 1

Interview Consent Form

This form outlines my rights as a participant in the research project titled 'An analysis of the area of reward and recognition and the impact it has on employee retention' by Karen Togher.

- I have been briefed on the purpose and aims of this research project.
- I have been awarded the opportunity to ask questions and discuss the study.
- I may request that the interview is not recorded on audio devices.
- I understand that my name nor the name of my employers will not be published.
- I understand that I am free to withdraw from the study at any time and request that any information I have given remain unpublished.

By signing this form, I hereby agree with the above statements and consent to participating in this study.

Participant's Signature: _____ Date: _____

Appendix 2

Core Interview questions.

1. Can you tell me about the sort of reward systems that are used in your place of work?
2. Is there any recognition programmes where you work?
3. How would you describe your work life balance?
4. Can you describe the other benefits you receive from your employer?
5. Are there any training or development opportunities in your current job?
6. What types of reward appeals to you?
7. Do you think recognition is a good tool for motivating employees?
8. Do Social rewards appeal to you?
9. What would influence you to stay in current job?
10. What rewards do you feel work best for improve employee retention?