

Green Compensation and Reward Practices Towards an Employee Green Behaviour

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Abstract: This research data comes from secondary data sources, based on literature studies, and is analyzed descriptively qualitatively.

The study investigated the influence of green reward and compensation on employee's behaviour in promoting environmental sustainability at work.

Green compensation and reward systems underscore the interconnectedness of organizational and employee well-being with sustainable practices. In essence, the integration of green elements into compensation and reward frameworks not only motivates employees but also aligns the workforce with the broader goals of sustainability, thereby reinforcing the notion that achieving sustainable advantages requires a collective and incentivized effort (Ahmad, 2015 as cited in Kuo et.al, 2022).

Keywords: Green Compensation, Reward Practices, Employee, Green Behaviour.

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I. INTRODUCTION

Green Human Resource Management is considered as the most important aspect of organizational sustainability (Wahidul Sheikh Shemon, et. al. 2019). According to Mampra 2013, Green HRM is describe as the use of HRM policies to promote the efficient use of organizational resources and the grounds of environmentalism which increases employee morale and satisfaction. Green HRM practices is one of the most powerful tools that an organization should take into account in achieving the desired environmental performance through influencing employees' attitudes and behaviours towards their job. This contributes to the sustainability and well-being of organizations and its employees (V.N. Amrutha, S.N. Geetha, 2019). According to H.M. Jeronimo, et al., (2020), green compensation, is one of the factors that influence employees' perception of the organization's commitment to sustainability. Incorporating green criteria into compensation can enhance employee adoption of eco-initiatives by encouraging them to suggest green ideas for their jobs, which are then converted into incentives (Ahmad, 2015).

Green compensation is a combination of both financial and nonfinancial rewards, aiming at attracting, retaining, and motivating employees to contribute to environmental goals (Jabbar et al., 2013). It is believed that combining monetary and non-monetary rewards is more effective in motivating employees than any other practices in HRM system (Jabbar et al., 2008; Renwick et al., 2013). Lower job satisfaction of employees has the power to damage organization's environmental outcomes so there's a need to closely monitor people's management practices, and to support the environmental performance of employees, green compensating is required, and as basis for green compensation and to elicit employee engagement in green behaviours, green human resource management policies should be incorporated in organizations environmental goals (Daily and Huang, 2001 & Benn et al., 2015).

Rewards and compensation are the most powerful method which links together an individual's interest to exert a maximum effort to achieve organizational goals (Ahmad, 2015). It is seen as the potential tools in supporting organization's environmental goals.

This research aims to identify effective green compensation and reward practices towards achieving

organizations' sustainability goals influencing employees' behaviour on becoming green. These practices includes giving of bonuses, recognition and incentives towards environmental sustainability in terms of having green teams, workforce health, budgets, employee engagements, and regulatory compliance.

II. METHODOLOGY

This study is a systematic review of related literature which involved collecting data from various research papers, journals and other academe papers published online. The review process was based on the PRISMA flow diagram which includes (1) *identifying the literature*, (2) *screening and eligibility of the literature*, and (3) *analysis of the articles collected*.

➤ *Identifying the Literature*

The identification process was conducted between the month of November and December using Google Scholar with at least 2019 year of publication. Developing graphic organizers was adopted by the researchers to ease the screening and eligibility of the identified literature later on.

➤ *Screening And Eligibility of the Literature*

The researcher used the inclusion and exclusion criteria in which academic papers published not earlier than 2019 which is also related to the study green compensation and reward practices, and employee green behaviour were identified and included in this study. Topics which are not connected to the green practices on compensation and rewards but is a human resource topic and was qualified within the required publication years was excluded.

➤ *Analysis of the Articles Collected*

After identifying what data should be included and not in the study, the researchers then analyze the collected data from various sources based on the screened data. Meta-synthesis approach is included in this literature review which brings together various qualitative data to formulate a new interpretation of data (S. Atkins et. al. 2008).

III. RESULTS AND DISCUSSION

Employees' behaviour and performance at work are always incorporated with compensation and rewards. Most of the time, right compensation and rewards increases employees performance and likewise can negatively affect the behaviour of the employees towards work. According to Darma P. & Supriyanto A. (2017), effective compensation is expected to add value to employee's satisfaction to motivate employees to always work at its best and it has been classified as good and can improve employee satisfaction and employee performance. Alansari R & Javed U. (2021) discussed that to attain sustainability, a compensation strategy should also illuminate the connection between remunerations, salaries and reimbursements to the success of the business. Based on the study on The Impact of Rewards and Compensation on Employees' Performance, a remuneration policy should entail other components of variable pay that is pay, which is linked to employees'

performance which means a direct correlation between pay and performance. Thus, employees must be made to believe that greater efforts result in greater rewards.

For an organization to achieve sustainability goals focusing on compensating the employees well and giving of right rewards, the following practices are to be included in the HR policies and guidelines;

- *Bonuses*
- *Recognition*
- *Incentives*

➤ *Bonuses*

The alignment between bonuses and stakeholders becomes a critical determinant of corporate credibility in terms of social responsibility. The type and size of bonuses are also scrutinized, as they contribute to the overall narrative of a company's commitment to ethical and sustainable practices.

In the study of Yendrizal 2022 on the implementation of a decision making system of giving bonus to employees, discussed that each company should have its own standards and a system as basis in giving appropriate bonus in accordance to the outstanding performance of the employees.

➤ *Recognition*

Employees' recognition helps organization recognize their best employees. It's a great way to get employees engaged in recognizing some of their own peers and colleagues. It also contributes to the company culture.

The study of Manzoor et. all (2021) on Intrinsic Rewards and Employee's Performance discussed that motivation levels of employees play a pivotal role in mediating the correlation between intrinsic rewards and their overall performance. This suggests that when employees find personal satisfaction and fulfillment in their work, it directly translates into improved job performance. The implication of these results is noteworthy for organizations aiming to enhance employee productivity and satisfaction.

Further, it is discussed in one study on Cornell University cited in Wong 2023 *Rewards and Recognition* that by linking an organization activity to its goals, immediate rewards increases employees' intrinsic motivation. This insight holds relevance for organizational leaders seeking to optimize employee performance by implementing reward systems that provide timely recognition and reinforcement, ultimately fostering a work environment conducive to sustained motivation and productivity.

➤ *Incentives*

Firms that perform better environmentally are also the most successful financially. The use of green incentives is positively associated with a firm's experience in monitoring environmental performance, supporting a sequential model of management control systems' implementation (Derchi et. al 2023).

Interplay of external pressures such as government policy towards giving of incentives contribute to a more positive working behaviour and performance of the employees. Moreover, the increasing demand for environmentally friendly products and services from overseas customers further amplifies the positive impact on top management's commitment to sustainability. As businesses cater to a global market, understanding and responding to the growing preference for green and ethical practices become essential. This external pressure encourages top management to take a proactive stance, embracing and championing green initiatives to meet customer expectations and gain a competitive edge in the international market.

IV. CONCLUSIONS AND RECOMMENDATIONS

In conclusion, there's a significant relationship between employees' behaviour, performance, and compensation which influences organizational success. The literature reviewed emphasizes the crucial role that effective compensation and rewards play in shaping employee satisfaction, motivation, and performance. The incorporation of specific HR practices, such as bonuses, recognition, and incentives, is identified as crucial in achieving organizational sustainability goals and is essential for organizations striving to achieve sustainability goals while simultaneously enhancing employee satisfaction, motivation, and performance. The interconnectivity of these elements forms a cohesive framework for organizations seeking to thrive in an environment that increasingly values ethical practices and environmental responsibility.

This study is a general concept of how green compensation and reward practices affects the employees' performance in going green. To better understand how these practices differ from the government and a private sector, the researcher recommends future researchers to further examine the differences of these practices from both sector, and the similarities it has in taking care of the welfare of its employees.

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