

**Title: The Impact of Performance-Based Bonus in Job Satisfaction and Work Performance of Employees in Selected Technological Institutions in Region 3**

**Researcher: Nemia M. Galang, Ph.D.**

**President Ramon Magsaysay State University, Iba, Zambales**

**ABSTRACT**

Satisfaction is the feeling of contentment after you have achieved your goal, an attitude that is ascertained by job factors such as salary, work, supervision, and others. It is indispensable to every managers to understand how necessities motivate performance and how rewards on such performance is essentials in job-satisfaction to motivate their employees that affect their performance.

The Performance Based Bonus (PBB) is a new incentive given to government employees based on their performance. This is different from existing bonuses in government which are given to employees across the board, regardless of their performance introduced in FY 2012, per EO No. 801.

The study's main thrust is to determine the impact of PBB in the academic and non-academic personnel of technological institutions in Region 3. It is hypothesized that that there is a significant difference in the perceptions of the respondents in employees' performance, recognition and responsibility when they are grouped according to their occupational classification as academic and non-academic. There is also a significant difference in the respondents' perception on impact of performance based bonus when the respondents are grouped according to their status as Administrative Official, Faculty Official, Plain Faculty and Non-Teaching Personnel.

The researcher used the descriptive research method wherein the study is focused on the present situations. It involves recording, description and presentation of analysis, composition and phenomena. Informal or unstructured interviews and observations were utilized as secondary instruments.

The study focused on obtaining the impact, acceptability and flaws of PBB based on Job Satisfaction and Work Performance of the academic and non-academic personnel.

The respondents used in this study were the regular academic and non-academic personnel of technological institutions in Region 3, Philippines.

The statistical instruments used were the frequency count, the percentage, weighted mean Pearson R and t – test.

This study investigated the impact of performance-based bonus in the academic and non-academic personnel of technological institutions in Region 3, Philippines. Likewise it discusses the acceptability and flaws of this incentive pay process that serve as the basis for determining entitlement to performance-based allowances, incentives or compensation of government personnel.

While a significant difference is found in the perception of the academic and non-academic personnel in their level of job satisfaction and acceptability of the Performance Based Bonus, this study confirms that organization levels of diverse positions contribute to individual performance and motivation. And that there is a positive relationship in job satisfaction and work performance of academic and non-academic personnel on PBB. Further, employees' difference in perception in the acceptability on PBB is attributed not on goal setting of the agency but on the transparency of the assessment instrument.

*Keyword: work performance, job satisfaction, bonus, incentives, reward framework*

## **Introduction**

Rewards refer to all forms of financial returns and tangible services and benefits an employee receives as part of an employment relationship. It is the benefits that arise from performing a task, rendering a service or discharging a responsibility. According to Searle (1990), rewards can be categorized into two broad areas, namely extrinsic rewards and intrinsic rewards.

Extrinsic rewards are usually financial or tangible rewards which include pay, promotion, interpersonal rewards, bonuses and benefits (Zaman, 2012). Stoner and Freeman (1996) defined intrinsic rewards as the psychological reward that is experienced directly by an employee.

With the deregulation of performance appraisal and awards, agencies have been given the authority and freedom to manage performance effectively. But delegation, deregulation, and simplification also mean increased accountability.

Actually, employee performance is a term typical to the Human Resource field where employee performance can refer to the ability of employees to achieve organizational goals more effectively and efficiently. It involves all aspects which directly or indirectly affect and relate to the work of the employees. For performance to be effective, employers should recognize the regiment desires and needs of the employees.

According to Koontz (1988), ways in which employee performance can be increased includes proper incentive systems which may be financial or nonfinancial. Financial incentives include salaries, allowances, overtime payment, bonus and wages, while non-financial incentives include promotion, medical allowance, training, transport, subsidized housing and meals. This should be after identifying the needs and desires of employees that can be satisfied to increased performance.

This could be the reason why the government, instead of giving bonuses at the end of the month introduced the Performance-Based Bonus, an incentive given to employees based on their condition to the accomplishment of their Department's overall targets and commitments.

Having definite rewards for exemplary work can inspire public servants to perform better. This can even motivate their co-workers in their own units to perform well, too. Altogether, such a system is designed to encourage improved performance and better accountability, in line with ensuring the accomplishment of the Administration's priority development agenda.

More importantly, however, the PBB seeks to transform the management of agency and employee performance to foster a culture of accountable public service, as well as produce concrete and visible improvements in the delivery of public goods and services. The ultimate aim of the PBB—besides instituting a genuine meritocracy in Philippine government—is to serve the Filipino public more effectively and efficiently.

### Theoretical Framework

This study used the Expectancy Theory which asserts that individuals are motivated by internal and external conditions. Motivated performance requires a conscious decision and people are motivated to do what they believe will result in the reward of highest value or probability. This assumes that persons work to optimize their expectations of attaining a valued outcome and that predictions can be made regarding the behaviour if the factors that influence the behaviour can be quantified. According to the expectancy model, the decisions people make are governed by three quantifiable factors. First (1) is valence which is the perception of a positive or negative outcome and this positive outcome is achieved when the individual feels the reward is worth the perceived effort required.

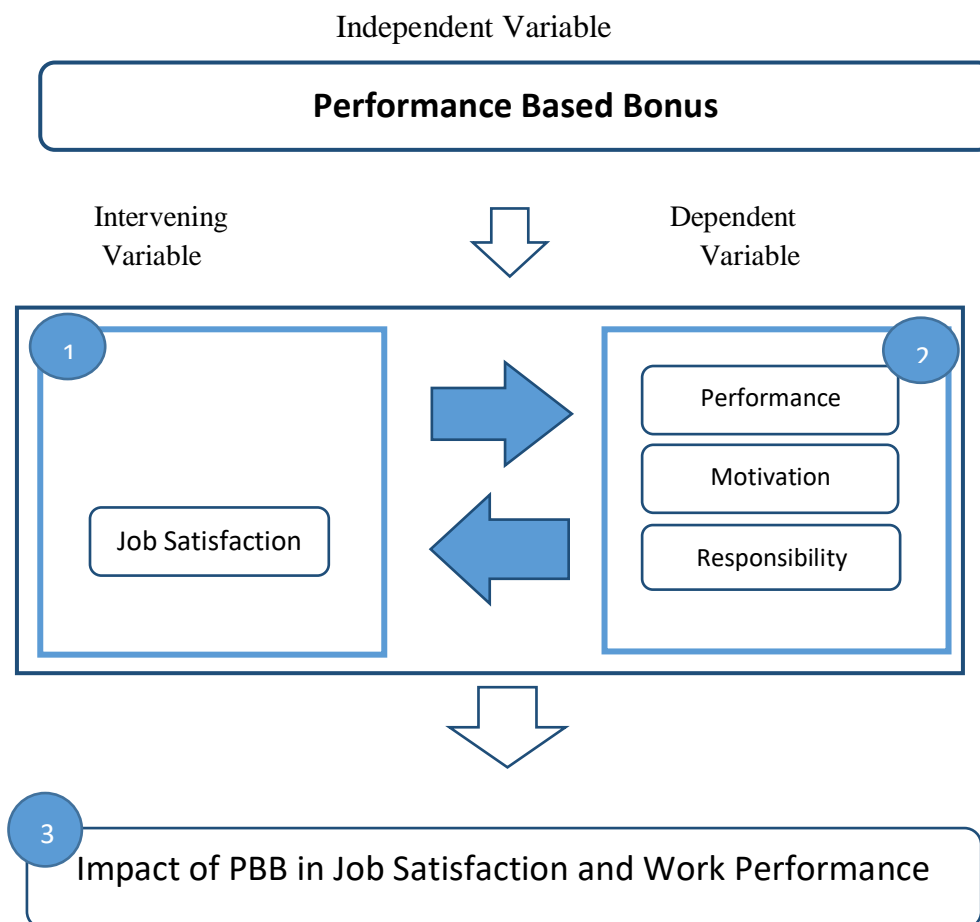


Figure 1. Research Paradigm

The second (2) is by likelihood of achieving the outcome after performing a particular behaviour. The third (3) is expectancy or effort which the individual adjust on whether or not the behaviour required is achievable hence the employees must perceive goals as realistic and believe they have the ability to achieve them (Vroom, 1964).

Figure 1 shows the components of the study. The independent variable used is Performance Based Bonus and the intervening variable Job satisfaction with the dependent variable performance, motivation and responsibility. The result is the impact of the performance-based bonus.

### **Statement of the problem**

This study was intended at examining the impact of PBB on job satisfaction and work performance of employees in Technological Institutions in Region 3 in the strategic perspective through investigating to what extent the PBB has an impact on job satisfaction and employees' performance.

Specifically this study sought to find answers to the following questions:

1. What is the level of job satisfaction of the academic and non-academic personnel in terms of the following characteristics:

- 1.1. performance,
- 1.2. motivation, and
- 1.3. responsibility?

2. What is the difference in the level of job satisfaction on the PBB between the academic and non-academic of respondents?

How do the academic and non-academic personnel respondents perceive the impact of PBB in terms of:

- 2.1. personal morale,
- 2.2. interrelationships, and
- 2.3. self-management?

3. How acceptable is the PBB among the academic and non-academic employees of the school respondents?

4. What is the difference between the academic and non-academic personnel in their acceptability of the PBB?

5. What is the relationship of acceptability and impact of the PBB on Job Satisfaction in non-academic and academic personnel?

6. What are the flaws on the implementation of PBB as observed by the respondents?

7. What possible reward framework may be developed to enhance employees' job satisfaction and work performance?

### **Results and Discussion**

This study investigated the impact of performance-based bonus in the academic and non-academic personnel of technological institutions of SUCs in Region 3. Likewise it discusses the acceptability and flaws of this incentive pay process that serve as the basis for determining

entitlement to performance-based allowances, incentives or compensation of government personnel.

The respondents used in this study were the regular academic and non-academic personnel of technological institutions in Region 3, Philippines.

The hypotheses tested in this study are: a) there is a significant difference in the level of job satisfaction between the two groups of respondents in terms of performance, motivation and responsibility and b) there is a significant difference in the impact of PBB to the respondents in terms of the academic and non-academic personnel.

This study utilized the descriptive research method wherein the study is focused on the present situations, specifically causal comparative design. A researcher made questionnaire was the main instrument that was used in data gathering. The questionnaire was divided into two parts. The first part aimed to establish the profile of the respondents and the second part is to solicit the perception of the respondents on the level of job satisfaction, impact of Performance-Based Bonus and its acceptability.

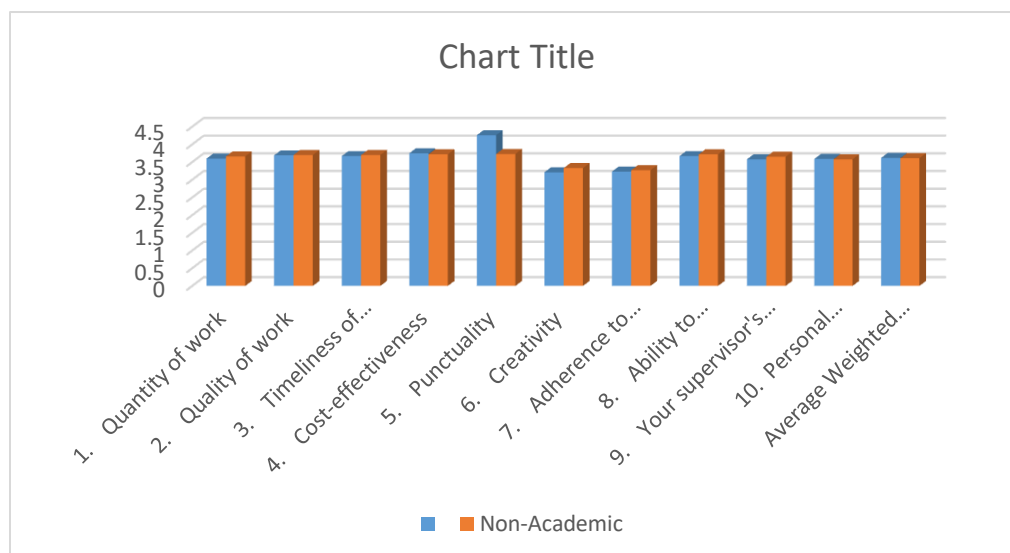
The collected data were subjected to statistical analysis with the use of descriptive and inferential statistical techniques specifically, frequency, percentage, weighted mean and t- test.

### Summary of Findings

On the basis of the results revealed on this study, the salient findings of the study are presented in this section following the statement of the research problems.

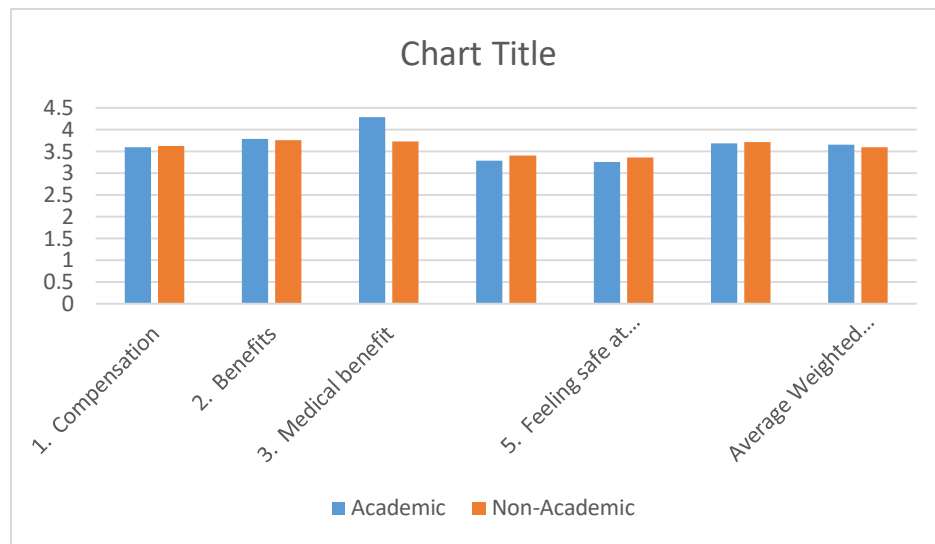
## 1. Respondents' Perception of the Job Satisfaction

### 1.1. Performance



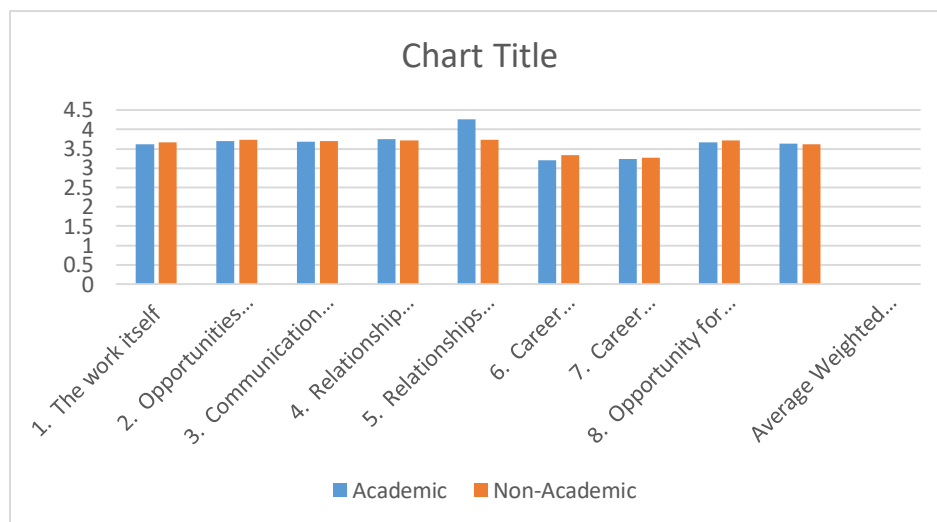
Both the academic and non-academic group has a slight difference in their perception on the level of job satisfaction wherein the academic personnel perception has a mean 3.62 against the mean 3.61 of the non-academic personnel.

## 1.2.Motivation



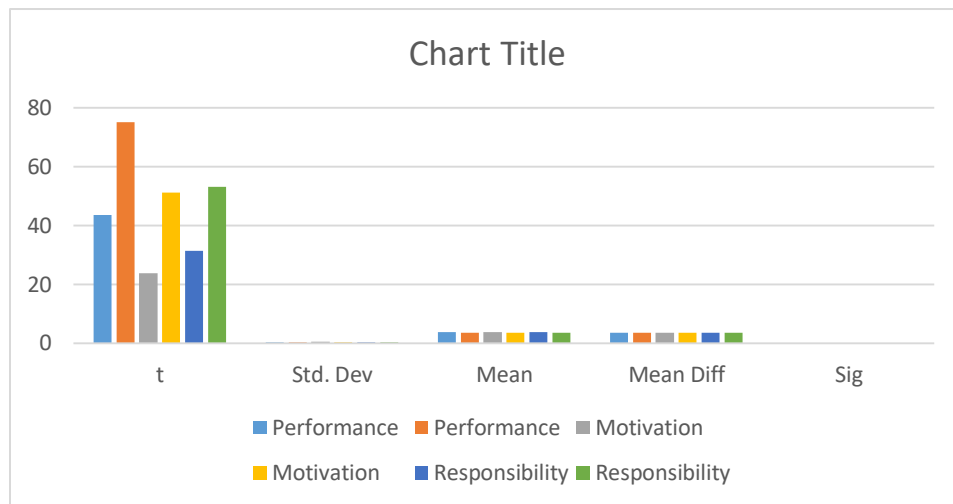
Overall, both groups are much satisfied with the indicators of motivation for job satisfaction. Both groups of respondents perceived most of the indicators as Much Satisfied, except that in the academic group who perceived medical benefit as Very Much Satisfied or 4.28 weighted mean.

## 1.3. Responsibility



Both of the academic and non-academic groups rated the indicators of job satisfaction in terms of responsibility as Much Satisfied with computed weighted mean of 3.64 and 3.61 respectively.

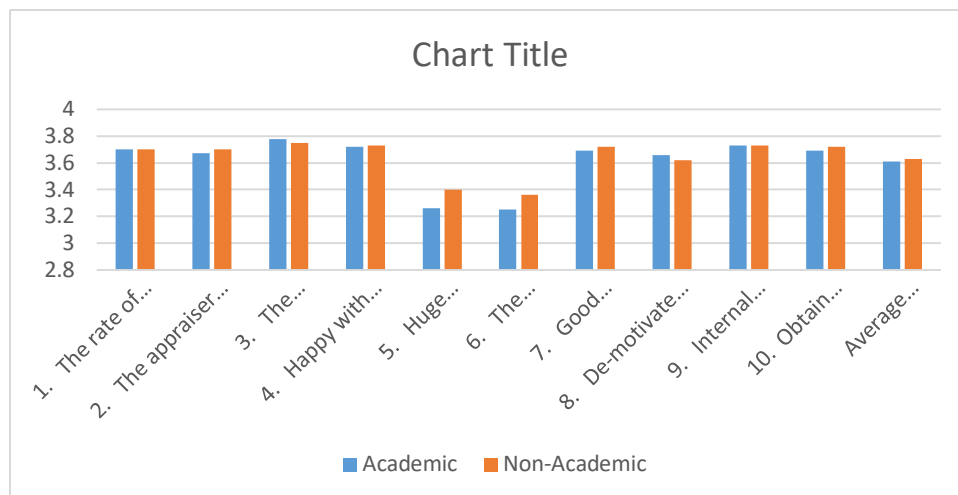
## 2. Difference in the Perception on Level of Job Satisfaction of Academic and Non-academic Personnel.



The t-test result confirms that there is a significant difference between the perception on the level of job satisfaction of the academic and non-academic personnel since the t – value is lower than the .05 alpha level of significance.

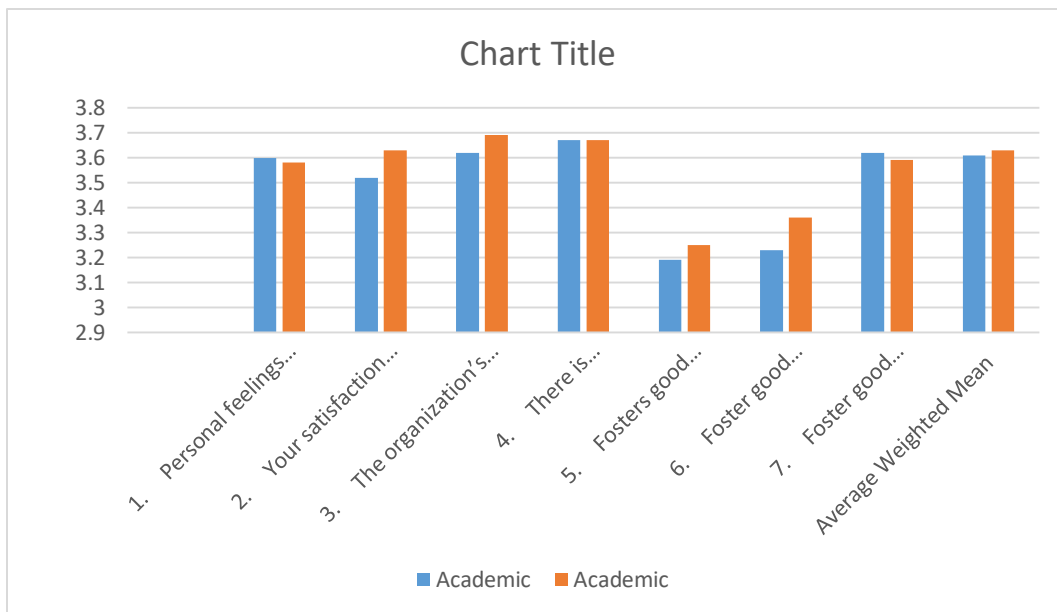
## 3. Respondents' Perception of the Impact of Performance-based Bonus

### 3.1. Personal Morale



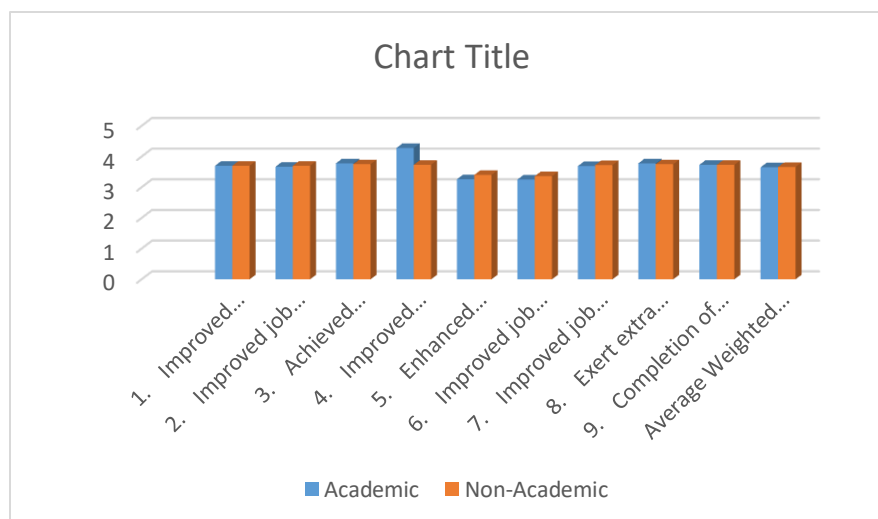
The overall weighted mean confirms that mostly of the respondents agree with the appraisers' preparation is adequate while judging employees. Both groups the “the appraiser’s technique was very efficient while conducting the appraisal”, with a computed weighted mean of 3.25 for academic personnel and 3.36 for the non-academic personnel.

### 3.2. Interrelationship



Remarkably, among the academic personnel the indicator 4, “There is Professionalism of the organization and its employees” was rated highest with a computed weighted mean of 3.67 while the non-academic personnel rated “The organization is directly dealing with you is Effective” as the highest with a computed weighted mean of 3.69.

### 3.3. Self-Management

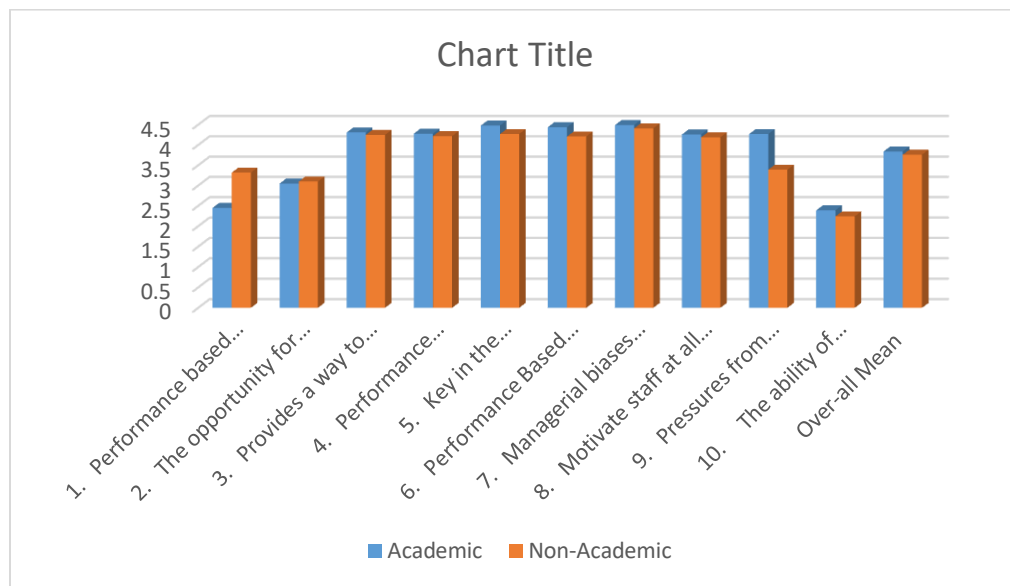


Mostly of the respondents strongly agree that impact of PBB on self-management is that it improves services to people and encourage culture of merit. Both of the respondents notably



rated “improved job quality” although the rating of 3.25 from the academic personnel and 3.36 from the non-academic personnel it is still the lowest.

#### 4. Acceptability of the Performance-Based Bonus to the Academic and Non Academic personnel



#### 5. Difference in the Acceptability of Performance Based Bonus Between the Academic and Non-academic Personnel

Groups	t	Std. Dev	Mean	Mean Diff	Sig
Academic	14.16	0.858	3.84	3.84	0
Non Academic	16.64	0.714	3.76	3.76	0

There exists a significant difference in the academic and non-academic personnel’s acceptability of performance based bonus since the t-value is lesser the .05 level of significance.

#### 6. Relationship of Acceptability and Impact in Job Satisfaction in Non-academic and Academic Personnel

### Correlations

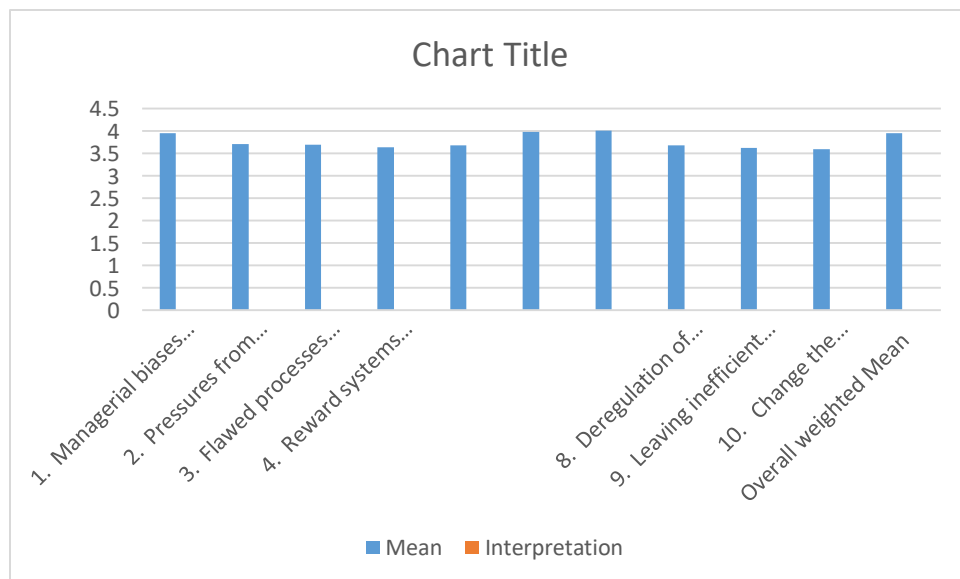
				Academic	Nonacademic
Academic	Pearson Correlation			1	.863**
	Sig. (2-tailed)				.000
	N			19	19
	Bootstrap <sup>b</sup>	Bias		0	.000
		Std. Error		0	.000
		95% Confidence Interval	Lower	1	.863
			Upper	1	.863
	Pearson Correlation			.863**	1
Sig. (2-tailed)			.000		
Nonacademic	N			19	19
	Bootstrap <sup>b</sup>	Bias		.000	0
		Std. Error		.000	0
		95% Confidence Interval	Lower	.863	1
			Upper	.863	1

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

b. Unless otherwise noted, bootstrap results are based on 539 stratified bootstrap samples

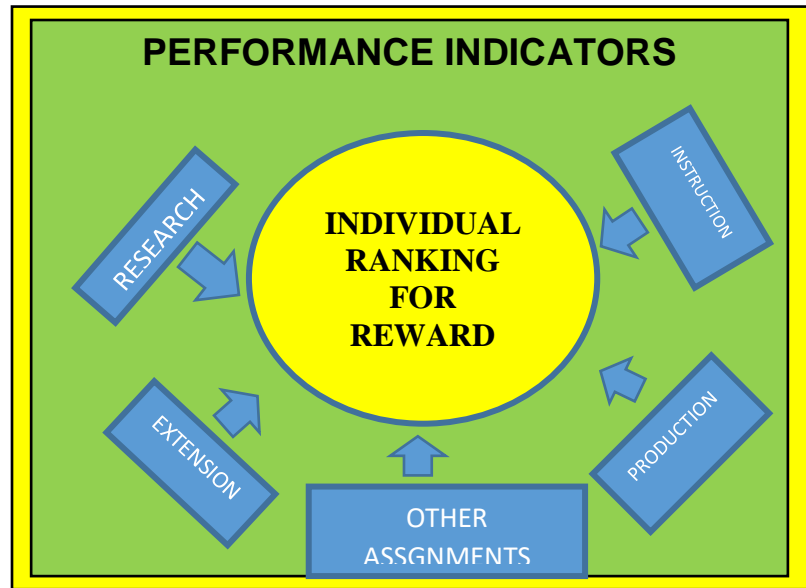
The result that correlation value of academic is 1 and .863 for non-academic which is significant at 0.01 level (two-tailed), shows that there is a positive relationship on Job Satisfaction and Work Performance of Academic and Non-Academic Personnel on Performance Based Bonus.

### 7. Perception of the Respondents on the Flaws of Performance-Based Bonus



The respondents agree that main flaws of Performance Based Bonus is the employee fears that speaking out frankly about problems with their jobs or company or to disagree with the boss can be politically damaging.

#### 8. Reward Framework to Enhance Employees' Job Satisfaction and Work Performance



A reward framework is made to enhance employees' job satisfaction and work performance vis-à-vis the goal setting of the organization. This is a computer-based computation that will evaluate the performance of individual based on their output intended to be a fair and balanced assessment of an employee's performance. Measured responses to data are more likely to produce the desired results.

#### Conclusions

Based on the significant findings of this study, the following conclusions are drawn:

1. Both the academic and non-academic groups of respondents were Much Satisfied in their jobs and indicates that most of them their satisfaction is evident on punctuality, medical benefits and other benefits and relationship with their co-workers.

2. The non-academic group of the technological institutions in Region 3 are more satisfied in the implementation of PBB than the academic. Since there is a significant difference in the perception of the academic and non-academic personnel on the level of job satisfaction, it confirms that organization levels of diverse position contribute to individual performance and motivation.

3. The academic and non-academic personnel agrees that PBB with the impact of PBB by giving emphasis on its impact on appraisers adequate preparation on judging employees, improve services and culture merit and dealing with employee as an effective part of the organization.

4. PBB culture in an education institution is a much acceptable merit incentive now in educational institution that remarkably emphasizing on managerial biases and prejudices.

5. The significant difference between the academic and non-academic groups of respondents on the acceptability of Performance-Based Bonus is attributed not on goal setting of the agency but on the transparency of the assessment instrument.

6. There is a positive relationship on Job Satisfaction and Work Performance of Academic and Non-Academic Personnel on PBB.

7. The academic and non-academic personnel are agreed that there are flaws in the PBB process.

8. Because of unequal perception of the respondents on their acceptability of PBB hence an enhance framework that is focused on the accomplishment of the organization as the basis for the new incentive-merit system.

### **Recommendations**

In view of the findings and conclusions, the researcher would like to recommend the following:

1. The organization must establish a performance management system to ensure that employees get the right incentive, and that they are highly motivated to perform well.

2. Aside from only giving incentive based pay, the government must also give non-financial incentives especially to managers to motivate further their subordinates and be transparent in evaluating them.

3. Performance Based Bonus should form part of the reform package that would link individual performance to organization performance.

4. There must be a transparent rating process in the implementation of Performance Based Bonus so that all employees, specifically those in lower performance categories, will strive harder and believe in this kind of system.

5. Significant differences were found between academic and non-academic personnel; hence, issues related to the fairness of performance pay systems need further research to determine the why this system is unfair and isolating variables cause this perception in crafting future incentive pay plan.

6. There is a need to increase flexibility in the design of PBB program to develop pay structures that ensures that performance goals and measurements are aligned to the national development plans, agency mandate and strategic priorities and organization performance indicator framework.

7. An enhanced reward framework that focuses on increased flexibility that could readily facilitate design that clearly connects performance to compensation in a manner that is perceived as more fair and equitable to all employees.

8. A replication of this study must be conducted after more years by adding adversity quotient as another variable in order to further study the impact of the awarding of PBB.