The effects of financial and non-financial incentives on job tenure

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ABSTRACT

This paper studies the effects of financial and non-financial incentives on job tenure of academics in Jordanian universities. The purpose of this research is to help Jordanian universities find solutions to the job tenure challenge that they face and to explore the role of incentives in job tenure. The study follows the incentives typology of Buchan and incentives are divided into two categories; financial incentive, including salary, other direct financial incentives, and indirect financial incentives, and non-financial incentives including training and education, recreational facilities, occupational health, and flexible working hours, breaks, and sabbatical. Job tenure is measured by the period that the questionnaire respondents were working with the current employers. The study considers two hypotheses and two questions to test the effect of incentives on job tenure. Results show that financial and non-financial incentives had positive significant effects on job tenure. The study recommends universities in Jordan to pay more attention to incentive given to their academics when they aim to increase job tenure.

Keywords: Incentives, Job Tenure, Academics, Jordanian Universities, Human Resources Management

1. Introduction

Job tenure is the time span that employees have been working for the current organization; it is the continuing spells of employment, not the completed spells (OECD Employment Outlook, 2001). Many organizations try to improve their employees’ job tenure, the reason behind that is to influence performance through the gaining of new competencies, which drives to develop the individual and organizational performance, and this will lead to achieving organization objectives (Dokko et al., 2009). The impact of job tenure on organization goals achievement makes it a very essential target for many organizations, and increase their interest in finding out what factors play a major role in job tenure. To increase employees’ job tenure, employers should consider employees’ perspectives and look from their point of view, and since employees do what they are rewarded for doing (Phillips & Gully, 2014), it is essential to align incentives with job tenure. The challenge of job tenure could be different from one industry to another; in the education industry, this challenge is obvious, in the US, Gray and Taie (2015) found that 17\% of teachers quit the teaching profession during the first five years, while Ronfeldt et al. (2013) said that 30\% of new teachers quit the profession within the same period and this rate increases to 50\% in low-performing and high-poverty schools. If we compare these rates to the US national labor turnover rate of 3.2\% (U. S. Bureau of Labor Statistics, 2020), the teacher turnover rate is extremely higher. This high turnover rate proves that the education industry faces a threat, especially if we know that this challenge is universal and not specific to the US. In Jordan, universities have limited financial resources and they could find it challenging to provide proper incentives to their academics (Al-Nsour, 2012), which might affect the universities and threaten academics job tenure in these universities.

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Research purpose and objectives

This research aims to study the impact of financial and non-financial incentives on improving job tenure of academics in Jordanian universities.

Literature review

2. Incentives

Organizations have been always interested in increasing productivity and achieving organizational goals, therefore, numerous studies searched in how to motivate employees, and they found that incentives play a major role in keeping employees motivated and committed to reach those objectives. The concept of incentives varies according to different studies, Al Kaaiby and Samery (1990) defined it as encouraging the employee desire to reach organizational goals. While the Civil Service Law (1991) defined it as anything materially or morally is given to the employee as an exchange of his/her outstanding work. Additionally, Kreitner (2007) defined incentives as the ability of rewarding workers for their contribution to work and for their obligation to the organization’s instructions, rules, procedures, and ethics. Incentives can be split into two types, the first type is intrinsic incentives which exist in the job and increase employee satisfaction, for instance, empowerment, and the second type is extrinsic incentives which expressed as promotion, advancement opportunities, pay, gifts (Coccia Mario, 2019). According to many studies, there are two major categories of incentives, financial and non-financial. The first category, financial incentives, is any incentives in a form of money -such as rewards, allowances, profit sharing, salary, and bonuses- are set to achieve human needs and encourage employees to enhance their work performance (Lawzi, 1995). Jadallah (1997) defined financial incentives as all forms of payment aim at enhancing productivity, so, the more the employees produce the more they earn and vice versa. Al-Harthi (1999) mentioned that financial incentives’ purpose is to improve performance and production efficiency by motivating employees to behave in the desired way.

The second major category of incentives is non-financial incentives and this type of incentives is related to psychological needs, organizations started to give more attention to this type of incentives after human relation theories came to light (Akaili, 1996). Al-Jahni (1998) described it as a set of motives to fulfill employees’ psychological, emotional, and humanitarian needs. Furthermore, Assaf (1999) mentioned that non-financial incentives might be in a form of a training program, appreciation certificate, or role in decision-making. Also, Hasan (2002) defined it as any incentives attached to the work environment for example working conditions of heat, light, noise, or ventilation. To make incentives more effective, El-Din (2020) suggests that incentives must be linked to both the employee goals and organizational goals, additionally, material incentives should be given at the appropriate time, and ensuring the continuity of incentives. Many studies were conducted related to incentives; Al-Harthi (1999) studied the effect of incentives on raising the efficiency of workers in civil defense personnel in Riyadh, Kingdom of Saudi Arabia. Results showed that employees were unsatisfied with the incentives and it found that the efficiency of performance effected by financial incentives more than moral incentives. Another study is carried out by Ratto and Burgess (2003), the study discussed incentives in public organizations. It concluded that it is more challenging to use performance incentives in the public sector comparing with the private sector for several reasons include intrinsic motivation of workers, multiple principals, multitasking, and the difficulty of measuring output. Koonmee (2010) investigated the organizational justice development in the incentive of the Thai public sector. The study compared the impact of procedural and distributive justice on attitudinal results (job performance and incentives satisfaction). Study results showed that procedural and distributive justice had more significant roles in predicting job performance and incentive satisfaction in the year of 2008 compared to the year of 2006. Al-Nsour (2012) studied the effect of moral and financial incentives on the organizational performance, the population of the study was the employees in the Jordanian universities. The study found that Jordanian universities provide sufficient incentives to their employees. The study split incentives into moral and financial incentives and it found that the effect of financial incentives was more than the effect of moral incentives. Results showed that moral and financial incentives affected organizational performance, customer satisfaction, and internal business process. However, the study did not find an impact of incentives on learning & growth. Furthermore, the study recommended conducting further research on incentives at Jordanian universities. El-Din (2020) researched in the relationship between incentives and organizational commitment, the research was conducted on public organizations in Egypt. Results showed a significant positive relationship between the employment of a good incentive system and the organizational commitment. The study recommended that the Egyptian ministry of communications and information technology should add some new incentives to their incentives system, and enhance the work environment such as increasing rewards and reducing punishments, also, enhancing the emotional commitment by giving employees the opportunity in being a part in the decision-making process. Buchan et al. (2000) classified incentives into financial and non-financial incentives. The financial incentives include three types: pay, other direct financial benefits include (health/Illness/life/accident insurance, pensions, travel allowance, accommodation/clothing allowance, and child care allowance), and indirect financial benefits include (subsidized transport, subsidized accommodation/clothing/meals, crèche provision/child care subsidy). The non-financial incentives include: Access to/support for training and education, recreational facilities, planned career breaks, flexible working hours, sabbatical/study leave, and occupational health/counseling. This typology of incentives was applied in this research.
2.2 Job Tenure

Job tenure is the time span that employees have been working for the current organization, it is the continuing spells of employment, not the completed spells (OECD Employment Outlook, 2001). The effect of job tenure on organization activities makes it worth to study. For instance, longer job tenure provides the organization with comprehensive knowledge about the stakeholders and the external environment, so managers can benefit from the external influences (Sturman, 2003). In addition, job tenure interacts with network behavior, usually, managers with longer job tenure can better understand the network and build trust with other network members, which will result in improving the outcomes (Juenke, 2005), not just that, job tenure can positively affect the organization internal relationship and job involvement (Wagner et al., 1987). Many studies investigated the impact of job tenure on many variables include the influence of employees’ abilities (Schmidt et al., 1988), job complexity (Sturman, 2003), gender (Bedeian et al., 1992), level of managerial discretion (Finkelstein & Hambrick, 1990), job satisfaction (Bedeian et al., 1992), race (Bratsberg & Terrell, 1998), industry stability (Henderson et al., 2006), stress levels (Hunter & Thatcher, 2007), past performance (Boeker, 1997), within-firm experience (Dokko et al., 2009), and organizational size (Thurmond, 2010). Some studies found that job tenure was affected by the organization and local labor market characteristics (Kash et al., 2006), in regards to organization characteristics, some studies reached to a conclusion that non-for-profit organizations are more mission-driven comparing with for-profit organizations and this may increase job tenure (Hillmer et al., 2005). Likewise, higher staffing ratios’ organizations usually have higher care quality, which could increase job tenure (Institute of Medicine, 2003). However, in regards to market characteristics, organizations operate in a high unemployment rate area will cause fewer employment options for employees and this can increase job tenure of these organizations (Kash et al., 2006). According to Wiener et al. (2009), other factors that could affect job tenure include organizational culture such as job responsibilities and employees-management relationship, personal characteristics such as immigration status, and characteristics of the geographic area -if the workplace is in a favorable area-. The study suggested that job security, wages, fringe benefits, alternative choices of employment, training, and organizational culture are important determinants of job tenure. Howes (2005) investigated the effect of salaries on job tenure. Findings show that doubling employees’ wages resulted in increasing retention rate from 39% to 74%. However, it is not just about financial benefits; health benefits can increase job tenure (Howes, 2006), additionally, training has an effect on job tenure (Noel et al., 2000).

3. Research design

3.1 Research approach

The literature review led to the development of this quantitative, non-experimental, and correlational study. This type of study method measures statistically significant correlation coefficients between relevant variables (Mauch & Birch 1993). The design of this study aimed at testing the impact of incentives on job tenure of academics in Jordanian universities. The framework of the study as shown in Fig. 1 explains a possible relationship between incentives and job tenure. For incentives, the independent variable, this study followed the typology of Buchan et al. (2000), so incentives were divided into financial incentives (include: salary, other direct financial incentives, and indirect financial incentives) and non-financial incentives (include: training and education, recreational facilities, occupational health, and flexible working hours, breaks, and sabbatical). While job tenure, the dependent variable, measured by the period that the questionnaire respondent has been working with the current employer.

3.2 Research Questions

The following questions represent the research questions that specifically addressed in this study:

Q1: Do financial incentives affect the job tenure of academics in Jordanian universities?
Q2: Do non-financial incentives affect the job tenure of academics in Jordanian universities?

3.3 Research Hypotheses

To study the relationship between incentives and job tenure, the research considers the following two hypotheses, as follows:

H1: Financial incentives influence on job tenure of academics in Jordanian universities.
H2: Non-financial incentives influence on job tenure of academics in Jordanian universities.

These hypotheses were tested using SPSS correlation and regression to find out the relation.
4 Research methods

4.1 Sample

The target population of this research is academics in Jordanian universities. In total, Jordan has 31 universities, 22 of them were established before the year 2000 (Ministry of Higher Education, 2015). For the purpose of eliminating the effect of establishment date on job tenure, the study eliminated any university established after the year 2000. A convenience sample was used in this study consisting of 108 respondents from 7 universities. Participants received printed out or electronic survey with explicit directions on how to participate, additionally, participants learned that the survey is solely for research purposes.

4.2 Measures

The questionnaire in this present study includes four sections. The demographical characteristics of the participants were the first section. Questions about gender, age, marital status, and education level were asked, the questions of the first section were only included to describe the data. The second section of the questionnaire was the professional information about participants’ academic experience, type of university, position, academic experience with the current employer, and faculty specialization. Job tenure—the dependent variable- was measured by the gathered information about “academic experience with the current employer”, while other professional characteristics of this section were only included to describe the data. Financial and non-financial incentives—the independent variables- were the third and fourth sections respectively of the questionnaire, it was measured by the incentive typology developed by Buchan et al. (2000). The third section gathered data about financial incentives in participants’ universities by asking participants about their: salaries, direct financial incentives (include questions related to insurances, allowances, and pensions offered by their university), and indirect financial incentives (include subsidized transport/accommodation, and Crèche provision/child care subsidy). The fourth section collected data about the non-financial incentives in participants’ universities by asking them about their: university training and education opportunities, recreational facilities, planned career breaks, flexible working hours, sabbatical and study leaves, and occupational health.

5 Data Analysis and Results

5.1 Characteristics of Participants

Characteristics of study participants are shown in Fig. 2, the figure indicates that the majority of respondents were males (52.8%), and 32% of the participants were in the age group of 42-52 followed by 27.8% for the age group of 53-63 years old. In regards to respondents’ marital status and their education level, it is obvious that most of them were married (69.4%) and 91.7% of them hold a doctorate or a Ph.D. degree. Respondents’ academic experience was varied, 45.4% of them have between 6-17 years in total. 20.4% of respondents were in the (Business / Commerce / Economics / Management) faculty, 54.6% of them were working in private universities, and 38% of them were working as associate professors.
5.2 Reliability and Validity

To test the data reliability, Cronbach’s Alpha coefficients and Composite Reliability (CR) were calculated. As shown in Table 1 below, the financial incentives reliability was calculated at 0.962 and 0.936 respectively, while the reliability of non-financial incentives was calculated at 0.913 and 0.892 respectively. Since these values are above the lowest acceptable limit of Cronbach’s α coefficient and CR which is 0.7 (Alarcón et al., 2015), so, the instrument is reliable. To test data validity, Average Variance Extracted (AVE) was calculated. Table 1 below shows that the AVE of financial incentives was calculated at 0.552, and for the non-financial incentives it was calculated at 0.579, which are acceptable in terms of good validity since values are greater than 0.5 (Alarcón et al., 2015), so, the instrument is valid.

Table 1
Crónbach’s Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE).

<table>
<thead>
<tr>
<th>Item</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Incentives</td>
<td>0.962</td>
<td>0.936</td>
<td>0.552</td>
</tr>
<tr>
<td>Non-Financial Incentives</td>
<td>0.913</td>
<td>0.892</td>
<td>0.579</td>
</tr>
</tbody>
</table>

5.3 Hypothesis Test

5.3.1 Person Correlation Analysis

Pearson Correlation analysis was conducted in this study. This analysis allows measuring the strength of the association and direction between any two variables (Hair et al., 2010). The value ranges from -1 to +1, the perfect negative or reverse relationship is -1, no relationship is 0, and the perfect positive relationship is 1. The correlation for this study shown in Table 2 below indicates that there are significant positive relationships between job tenure and both financial and non-financial incentives values are +0.885 and +0.779 respectively.

Table 2
Pearson Correlation

<table>
<thead>
<tr>
<th></th>
<th>Financial Incentives</th>
<th>Non-Financial Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Tenure</td>
<td>.885**</td>
<td>.779**</td>
</tr>
</tbody>
</table>

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

5.3.2 Multiple Linear Regression Analysis
Two independent variables, financial and non-financial incentives, were entered into multiple regression analyses to determine how incentives affect job tenure. The R2 and adjusted R2 values in Table 3 below indicate that between 79.8% - 80.2% of the variation in job tenure can be explained by financial and non-financial incentives. Table 3 below shows that regression results for financial incentives are ($t = 10.184$, $p = 0.000$, $\beta = 0.713$). The standardized $\beta$ for centrality was positive; indicating a positive relationship with job tenure, the value of $\beta$ (0.713) indicates the strength of the relationship between financial incentives and job tenure. While regression results for non-financial incentives are ($t = 3.125$, $p = 0.002$, $\beta = 0.219$). The standardized $\beta$ for centrality was positive; indicating a positive relationship with job tenure, the value of $\beta$ (0.219) indicates the strength of the relationship between non-financial incentives and job tenure.

### Table 3

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.896</td>
<td>0.802</td>
<td>0.798</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares</td>
<td>df</td>
<td>Mean Square</td>
</tr>
<tr>
<td>Regression</td>
<td>153.195</td>
<td>2</td>
<td>76.598</td>
</tr>
<tr>
<td>Residual</td>
<td>37.768</td>
<td>105</td>
<td>0.36</td>
</tr>
<tr>
<td>Total</td>
<td>190.963</td>
<td>107</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-0.491</td>
<td>0.163</td>
<td>-3.018</td>
</tr>
<tr>
<td>Financial</td>
<td>0.836</td>
<td>0.082</td>
<td>0.713</td>
</tr>
<tr>
<td>Non-Financial</td>
<td>0.256</td>
<td>0.082</td>
<td>0.219</td>
</tr>
</tbody>
</table>

Source: Data processed by researchers (2020)

### 5.3.3 Hypothesis Results

This study has had two hypotheses, the first hypothesis tested the relationship between financial incentives and job tenure of academics in Jordanian universities, results have shown a significant positive relationship between variables, and therefore hypothesis one was supported. The second hypothesis tested the relationship between non-financial incentives and job tenure of academics in Jordanian universities, results show a significant positive relationship between variables, and therefore hypothesis two was supported.

### 5.3.4 Research Question Results

This study has two research questions, the first question is “Do financial incentives affect job tenure of academics in Jordanian universities?”. The analysis showed that hypothesis one was supported and there was a significant positive relationship between financial incentives and job tenure of academics in Jordanian university, therefore the answer to this research question is yes. The second question is “Do non-financial incentives affect job tenure of academics in Jordanian universities?”. The analysis showed that hypothesis two was supported and there was a significant positive relationship between non-financial incentives and job tenure of academics in Jordanian university, therefore the answer to this research question is yes.

### 6 Discussion and Conclusion

Schools around the world have been always interested in improving their employees’ job tenure because of its effect on the quality of learning outcomes, so, many studies were conducted to help universities remove this obstacle. In Jordan, this obstacle is very challenging, literature review recommended to research into the effect of incentives at Jordanian universities (Al-Nsour, 2012). This study provides valuable knowledge that contributes to solving job tenure obstacle through its findings regarding the effect of financial and non-financial incentives on job tenure, the understanding of this effect will make universities consider incentives as an investment instead of expenses. Results of this study have proven that incentives are an essential factor when academics decide either to stay in the university or to leave it. This study recommends that universities in Jordan should give more attention to the financial and non-financial incentives given to their academics if they aim to increase job tenure. When the human resources management design or analyze a job, they should take into consideration all types of incentives including salary, direct financial incentives, indirect financial incentives, and non-financial incentives including training and education, recreational facilities, occupational health, and flexibility in working hours, career breaks, and sabbatical. Focusing on one aspect of incentives and ignoring other aspects could decrease employees’ satisfaction and affect job tenure. It is understandable that offering adequate incentives for academics in Jordanian universities could be challenging for some of them for the reason of limited financial resources, this challenge should not be an obstacle in developing a competitive incentive system, especially if we know that not all incentives are financial.
References


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