# The Effect of Total Rewards on Job Performance

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**Abstract:** *Based on the social exchange theory, the influence of total remuneration on employees' job performance in five-star hotels is investigated, and the mediating role of employees' job satisfaction is further discussed. The results show that: (1) Total remuneration positively affects employees' job performance; (2) overall compensation positively affects employees' job satisfaction; (3) the employee's job satisfaction plays a completely mediating role between the total remuneration and the employee's job performance. The above conclusions not only provide a new perspective for the research on employee motivation, but also provide reference for the management practice of enterprises to improve employee performance.*

**Keywords:** *total rewards, job performance, job satisfaction, social exchange theory*

## 1. Introduction

In the final analysis, the allocation, utilization, development and protection of organizational human resources are aimed at achieving and improving organizational performance, which is based on the work performance of each employee. Therefore, how to improve the work performance of organizational employees has become the focus of scholars and business management practitioners. Scholars have conducted a series of studies focusing on asset evaluation [1], medical care [2], auditing [3], scientific research institutions [4], community workers [5], universities [6] and other industries to explore ways to improve employee performance, and have obtained some valuable research results. According to the social exchange theory, the employment relationship between enterprises and employees is an exchange activity. Enterprises provide employees with economic and non-economic rewards such as salary, welfare, reward, promotion and recognition. Driven by the principle of reciprocity, employees show high work performance to return to the enterprise. In addition, existing studies have proved that employees' job satisfaction will affect employees' emotional commitment to work and effort level, directly or indirectly affect employees' performance, and then affect enterprises' market competitiveness and performance, especially in service enterprises [7, 8]. Job satisfaction is an important perception that affects employees' work attitude and work efficiency, and is a key factor that determines whether an enterprise can develop steadily [9]. It has a significant promoting effect on employees' work involvement [7]. In summary, based on the social exchange theory, this study examines the impact of total remuneration on employees' work performance, and further explores the mediating role of job satisfaction, in order to provide references for enterprises to improve employees' job performance.

## 2. Research Hypotheses and Model

### 2.1 Total Rewards and Job Performance

The total rewards can be customized according to the employee's personal characteristics (age, seniority, skills, etc.) [10], involving the health factors and incentive factors in the two-factor theory. According to the two-factor theory, the health factor can eliminate the dissatisfaction and maintain the original work efficiency, but could not motivate the employees to be more positive. The improvement of incentive factors can make employees feel satisfied with the result, greatly stimulate the enthusiasm of employees and improve labor production efficiency. According to the social exchange theory, the employment relationship between enterprises and employees can be regarded as an exchange activity. In order to attract, motivate and retain employees, enterprises provide them with compensation, welfare, rewards, promotion, recognition and other economic and non-economic rewards. Driven by the principle

of reciprocity, employees will work hard and improve their work enthusiasm, so as to show high work performance and return to the enterprise. The overall compensation achieves the consistency of corporate strategy, human resource strategy and compensation strategy [11], which helps to internalize employees' external motivation and stimulate employees' subjective initiative, thus achieving the improvement of innovation performance [12]. Some scholars have conducted a series of researches on the relationship between total compensation and job performance, and have obtained valuable research results. There are differences in the impact of total remuneration and its six dimensions on job performance, but overall, total remuneration has a significant positive impact on job performance [13]. Both economic salary satisfaction and non-economic salary satisfaction have a significant positive impact on the behavioral performance of knowledge workers [14]. Based on the above analysis, the following hypothesis is proposed:

H1: Total rewards positively affect employee performance.

### 2.2 Total Rewards and Job Satisfaction

According to Maslow's hierarchy of needs theory, human needs are multifaceted and are divided into physiological needs, safety needs, social needs, respect needs and self-actualization needs from low to high. The overall compensation can meet the needs of employees in various aspects, improve the evaluation of employees on the work itself, the work environment, the work experience and so on, and then improve the job satisfaction of employees. Good welfare incentives and quality of work life contribute to improving employees' job satisfaction [15]. Overall remuneration integrates monetary remuneration and non-monetary remuneration to effectively meet the comprehensive needs of employees and help improve their job satisfaction [16]. The overall remuneration of non-state-owned enterprises includes five dimensions: salary, welfare, career development, performance recognition and working environment, and the overall remuneration is significantly positively correlated with job satisfaction [17]. The study of Yang et al. found that total compensation has a direct and significant impact on job satisfaction [18]. Based on the above analysis, the following hypothesis is proposed:

H2: Total rewards positively affect employees' job satisfaction.

### 2.3 The Mediating Role of Job Satisfaction

According to the behavioral motivation theory, an individual's attitude determines his or her behavior. Therefore, when an employee's working status is inconsistent with his or her emotional attitude, the employee may adjust himself or herself to change his or her emotional attitude [19]. Job satisfaction can bring higher job performance, and improving employees' job satisfaction is an effective way to improve their job performance [20]. Job satisfaction provides employees at all levels with a sense of satisfaction, accomplishment, and even enjoyment of their work, thus driving employees to be more productive and creative [21]. The relationship between total compensation and job satisfaction has been analyzed above, and hypothesis H2 has been proposed. Therefore, this study believes that total compensation can improve employees' job performance by improving their job satisfaction, and proposes the following hypothesis:

H3: Job satisfaction plays a mediating role between total rewards and job performance.

### 2.4 Research model

Based on the above Hypotheses, this study proposes the following research model (Figure 1) to investigate the impact of total rewards on employees' job performance and further explore the mediating role of job satisfaction.
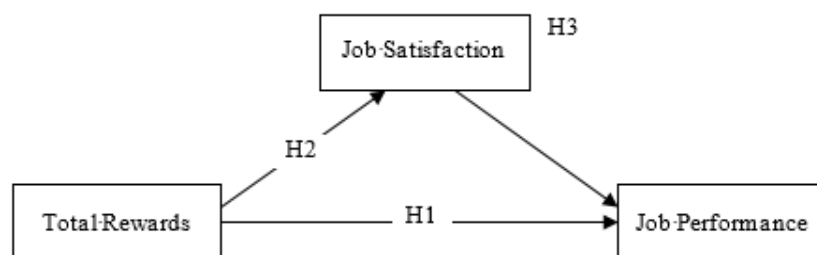


*Figure 1: Research model.*

## 3. Research Method

### 3.1 Data Collection

Through the questionnaire survey of enterprise employees, a total of 225 questionnaires were collected, of which 187 were valid, with an effective rate of 83.11%. The basic information of the respondents is shown in Table 1.

*Table 1: Sample basic information (N=225).*

| Items | | Number | Percentage/% |
|---|---|---|---|
| Gende | Male | 54 | 28.9 |
| | Female | 133 | 71.1 |
| | Total | 187 | 100.0 |
| Age | 21~30 years old | 60 | 32.1 |
| | 31~40 years old | 75 | 40.1 |
| | 41~50 years old | 44 | 23.5 |
| | 51~60 years old | 8 | 4.3 |
| | Total | 187 | 100.0 |
| Education | High school, technical secondary school and below | 4 | 2.1 |
| | College | 43 | 23.0 |
| | Undergraduate | 135 | 72.2 |
| | Master and above | 5 | 2.7 |
| | Total | 187 | 100.0 |
| Position level | Basic level | 123 | 65.8 |
| | Middle layer | 43 | 23.0 |
| | High-rise | 21 | 11.2 |
| | Total | 187 | 100.0 |
| Average monthly income | 3000 yuan and above | 12 | 6.4 |
| | 3001-4000 yuan | 34 | 18.2 |
| | 4001-5000 yuan | 134 | 71.7 |
| | 5000 yuan and above | 7 | 3.7 |
| | Total | 187 | 100.0 |

### 3.2 Measure

As for the measurement of total rewards, this study adopts the total rewards model proposed by the WorldatWork in 2006, which includes five elements: compensation, benefits, work-life balance, performance and recognition, personal development and career opportunities, with a total of 15 items. As for the measurement of job performance, this study adopts the two-factor model proposed by Borman and Motowidlo [22], which includes task performance and peripheral performance, with a total of 8 items. As for the measurement of job satisfaction, this study adopts the MSQ short scale, with a total of 20 items. Total rewards, job performance and job satisfaction were measured on a five-point Likert scale, with 1-5 indicating strongly disagree, disagree, neutral, agree and strongly agree, respectively.

### 3.3 Data Analysis

In this study, SPSS 25.0 software was used for reliability and validity analysis and descriptive statistical analysis, and PROCESS 3.3 tool was used for regression analysis to test the research hypotheses.

## 4. Results

### 4.1 Reliability and Validity Analysis

*Table 2: Reliability and validity analysis.*

| Variables | Cronbach's α | KMO | Bartlett's sphericity test | |
|---|---|---|---|---|
| | | | Approximate chi-square | P |
| Total rewards | 0.922 | 0.915 | 1602.329 | 0.000 |
| Job performance | 0.903 | 0.876 | 891.095 | 0.000 |
| Job satisfaction | 0.966 | 0.937 | 3542.295 | 0.000 |

According to the reliability and validity analysis results (Table 2), Cronbach's α coefficients of variables were all greater than 0.7 [23], indicating good internal consistency and stability of the scale; KMO values are all greater than 0.8, and the P value of Bartlett's sphericity test results is less than 0.01, indicating good structural validity [1].

### 4.2 Descriptive Statistical Analysis

The descriptive statistical analysis results (Table 3) show that the mean values of total rewards, job performance and job satisfaction are 3.19, 3.49 and 3.41 respectively. The Person correlation coefficient among total rewards, job performance and job satisfaction ranges from 0.661 to 0.878, indicating that there is a positive correlation between them.

*Table 3: Descriptive statistical analysis.*

| Variables | (1) | (2) | (3) |
|---|---|---|---|
| (1) Total rewards | 1 | | |
| (2) Job performance | 0.661*** | 1 | |
| (3) Job satisfaction | 0.878*** | 0.709*** | 1 |
| Means | 3.19 | 3.49 | 3.41 |
| SD | 0.660 | 0.546 | 0.644 |
| Skewness | -0.106 | 0.378 | -0.140 |
| Kurtosis | 0.545 | 0.550 | 0.353 |

Note: *$P<0.05$, **$P<0.01$, ***$P<0.001$.

### 4.3 Hypotheses Testing

The results of regression analysis are shown in Table 4. According to Model 1, total rewards has a significant positive impact on job performance ($\beta=0.547$, $P < 0.001$), and H1 was supported. According to Model 3, total rewards have a significant positive impact on job satisfaction ($\beta=0.856$, $P < 0.001$), and H2 was supported.

According to Model 2, both total rewards (independent variable) and job satisfaction (mediating variable) were put into the model. Total rewards had no significant positive impact on job performance ($\beta=0.141$, $P > 0.05$), while job satisfaction had a significant positive impact on job performance ($\beta=0.457$, $P < 0.001$). Therefore, job satisfaction plays a complete mediating role between total rewards and job performance, and H3 was supported.

*Table 4: Regression analysis result.*

| Variables | Job performance | | Job satisfaction |
|---|---|---|---|
| | Model 1 | Model 2 | Model 3 |
| Constants | 1.744*** | 1.424*** | 0.676*** |
| Total rewards | 0.547*** | 0.141 | 0.856*** |
| Job satisfaction | | 0.475*** | |
| $R^2$ | 0.4373 | 0.5092 | 0.7706 |
| F | 143.7978*** | 95.4616*** | 621.5967*** |

Note: *$P<0.05$, **$P<0.01$, ***$P<0.001$.

*Table 5: Mediating effect testing.*

| | β | BootSE | 95% CI | |
|---|---|---|---|---|
| | | | BootLLCI | BootULCI |
| Indirect effect | 0.407 | 0.092 | 0.221 | 0.585 |
| Direct effect | 0.141 | | | |
| Total effect | 0.547*** | | | |

Note: *P<0.05, **P<0.01, ***P<0.001.

In order to further test the mediating role of job satisfaction, the PROCESS 3.3 macro based on SPSS 25.0 was used to conduct the bootstrapping test (bootstrapping samples=5000, 95% CI). The results of the bootstrapping test for mediating effects (Table 5) showed that the 95% confidence interval (β=0.407, 95% CI=[0.221,0.585]) of indirect effects did not include 0, and the direct effect was not significant (β=0.141, P > 0.05), while the total effect was significant (β=0.547, P < 0.001). Therefore, job satisfaction plays a complete mediating role between total rewards and job performance.

## 5. Conclusions

Based on social exchange theory, this study examines the impact of total rewards on job performance, and further explores the mediating role of job satisfaction. The results show that: (1) Total rewards has a significant positive impact on employee job performance; (2) total rewards have a significant positive impact on employees' job satisfaction; (3) job satisfaction plays a complete mediating role between total remuneration and job performance. The above conclusions not only provide a new perspective for employee motivation research, but also provide a reference for enterprises to improve employee performance management practice.

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