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ANALYZING FINANCIAL AND NON-FINANCIAL FACTORS AFFECTING THE PERFORMANCE OF EMPLOYEES IN PUBLIC ORGANIZATIONS IN THE UAE

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Abstract

Employee performance (EP) refers to the behavior of employees within an organization (Bert & van, 2023). It refers to the activities carried out by employees, including both input and output activities, that contribute to achieving organizational objectives. The main objectives of the current study are: i) to examine the impact of the financial incentives namely, salary, end of the term benefits, other financial incentives on the EP in public sector in United Arab Emirates (UAE); ii) to analyze the impact of the non-financial incentives namely, work environment, recognition, leadership support, and flexibility on the EP in public sectors in UAE. The results confirm the significance of the reward system in the UAE public sector considering that both types of incentives (financial and non-financial) positively affect the employees' performance. All forms of financial incentives, including salary, end-of-term compensation, and other financial rewards, clearly affect performance positively. Thus, a suggestion can be made that public organizations in the UAE should discontinue their policies focusing solely on salary and instead implement integrated reward systems that include recognition, developmental, and relational incentives alongside financial ones. The results of this study, however, suggest that HR in the UAE public sector should encourage supportive leadership, recognition system(s), a favorable work environment, and alternative work arrangements in addition to flexible pay to improve performance, retention, and service quality.

Keywords: *Financial Factors, Non-Financial Factors, Employee Performance*

Introduction

The attitudinal and task-related contributions of employees towards meeting the goals of an organization, and the overall determinants of organizational performance, are a function of financial and non-financial elements of the workplace (Bert and van, 2023; Alves and Lourenço, 2023). The extent of an employee's performance can be largely affected by a number of the employee's own personal variables, perhaps even more so in the case of different work-related motivators, given the wide variability in employee cognitive and behavioral responses to a given environment, managerial approach, and type of rewards (Mohammad and Essa, 2024; Bolatito and Mohammad, 2024). Promotion, recognition, and the other non-financial components that scholars such as Noor et al. (2020) mention are valuable and even more significant motivators, although older expectancy theories related to performance and job satisfaction posited that financial motivators such as salary, bonuses, allowance, and even the

more controversial performance-related financial incentives are motivators needed for goal attainment. Although many more recent studies, perhaps due to the socio-emotional and behavioral focus of contemporary workplaces, have shown that even more significantly, motivators that do not have a financial connotation were even more important in determining goal attainment.

The available literature has noted that the intrinsic and extrinsic rewards spectrum together shape the employees' attitudes and commitment and employees' willingness to go the extra mile, although studies comparing the reward systems have yielded inconclusive results (Alrafi, 2023). In public sector companies, where the org design, reward systems, and role expectations differ from the private sector, constituent policies, culture, and available resources further define and shape employees' performance (Al Murshidia \& Al Riyam, 2020). In the UAE, the national development focus coupled with workforce localization initiatives and the strategic public sector modernization drive, underscored the urgency to analyze how UAE public sector employees' motivation and performance are influenced by a combination of economic and non-economic factors (Alketbi et al., 2022). Research on the combined effect of economic and non-economic factors within public sector organizations in the UAE has been scarce, justifying the examination of the effect of the incentive systems and the work environment on employees' performance within this unique socio-organizational ecosystem (Alrafi, 2023; Mohammad \& Essa, 2024). Based on identified gap the main objectives of current research are as follows

- To examine the impact of the financial incentives, namely, salary, end-of-term benefits, and other financial incentives, on EP in the public sector in the UAE.
- To analyze the impact of non-financial incentives, namely, work environment, recognition, leadership support, and flexibility, on EP in the public sector in the UAE.

Literature Review

Bert and van (2023) suggest that EP encompasses a variety of factors and cannot be attributed to a single cause. Previous research has highlighted that employee mindset, behavior, and productivity are influenced by conditions such as organizational culture and climate, leadership style, management support, training culture, and environmental dynamism (Imam et al., 2023). Adaptive leadership and positive climate enhance proactive behavior and engagement, which in turn drives performance (AlShehhi et al., 2021). Management support

and higher performance are correlated, as employees that perceive support from their supervisors tend to be more committed and go the extra mile (Ginbar, 2020).

Autonomy, communication, and work environment are other important job-related factors. Workers with higher job autonomous reported use of their discretion, ability to adapt to varying tasks, and greater efficiency, which is linked positively with proactive behavior, organizational citizenship, and overall performance (Güngör, 2021). A constructive work environment along with effective communication leads to positive engagement and facilitation of supervisor-subordinate communication. This two-way communication motivates employees to engage in higher levels of performance (Imam et al., 2023). On the contrary, burnout, role stress, and high job demand are factors that lead to negative attitudes and absenteeism (Riyanto et al., 2021; Chen et al., 2020).

Factors such as intrinsic motivation, commitment, proactive behavior, individual employee adaptability and skill level are central to positive individual performance (Din et al, 2021). Employees with diverse and adaptable skills contribute to organizations being able to enable job rotation, cross-functional teams, and flexible talent redeployment, positively impacting organizational performance (Ibrahim & Isaac, 2020). Anticipating future work demands and taking proactive steps to address them positively impacts efficiency, innovation, and constructive change-oriented behaviors (Riyanto et al., 2021). Mohammad & Essa (2024) examined the positive relationships that organizational support, employee motivation, and performance have, when organizational support meets an employee's need for autonomy, competence, and relatedness in organizational settings. There are also financial and non-financial incentives. Financial incentives include pay, bonuses, and promotions, and are associated with increased levels of motivation and job satisfaction. These incentives certainly assist in employee retention and are positively correlated with organizational performance (Ginbar, 2020). On the contrary, the absence of financial incentives does not necessarily lead to employee dissatisfaction. Obtaining recognition, the ability to contribute to organizational decision-making, promotion and career-development opportunities, flexible scheduling, and the presence of a supportive work environment and positive culture also constitute employee rewards (Noor et al., 2020). In many instances, non-monetary rewards are the primary motivation for employees, especially about increased loyalty, ongoing organizational commitment, and sustained levels of performance (Chen et al., 2023). Sustained satisfaction and attrition are positively impacted by recognition, and promotion opportunities, and negatively impacted by working conditions (Al-Shehri, 2019; Alketbi et al., 2022).

The existing body of literature suggests that performance of employees is dependent on a variety of factors, which include the organization and surrounding environment (e.g. culture, leadership, climate, training, work environment), job characteristics (e.g. autonomy, communication, workload), and employee characteristics (e.g. skills, adaptability, motivation, commitment) and a mix of the financial and non-financial incentive structures (Bolatito & Mohammad, 2024; Alves & Lourenço, 2023). Contrary to this, a majority of the empirical studies have focused primarily on the private sector, and the non-GCC region, which include the United States, Europe, and Asia, with very few attempting to address financial and non-financial factors, job-related factors, and employee-related factors in public organizations (Chen et al., 2020; Sansone & Tang, 2021). This shows the obvious gap in empirical studies in the public sector in the UAE, which seeks to address the question of finance.

Gap and Significance of the Study

The absence of systematic design and review of incentive systems that build and maintain high levels of performance, even in the face of most organizational evidence, is prevalent (Din et al., 2021). Research-based evidence found that demotivation, turnover, and a lack of innovation were the results of the lack of adequate structure and review of incentive systems (Alkandi et al., 2023). Still, most employers, even in extremely competitive markets, tend to disregard the important strategic role of the systems, be they financial or non-financial, in driving and/or motivating performance (Al Murshidia & Al Riyam, 2020). Most of the existing literature seems to engage with the contexts of developed economies, or specific industry/banking contexts in the US, Europe, Russia, Pakistan, Saudi Arabia, Norway, and Singapore, often out of the public sector, and in culturally distanced environments from the Gulf region (Chen et al., 2020; Sansone & Tang, 2021).

Literature showcases many gaps in the research today. The first of which is the lack of empirical research in the U.A.E. that looks at the intersection of financial (e.g. pay, bonuses, benefits) and non-financial (e.g. recognition, participation in decision-making, career development, flexible work arrangements, and working conditions) as joint predictors of EP, especially in public sector organizations, given the particular employment, job security, and remuneration conditions that differ from the private sector (Al Murshidia & Al Riyam, 2020). The second is that most research continues to justify the direct linear relationship of incentives and performance, and neglect the implications of more indirect, broader contextual, and attitudinal gaps such as job satisfaction, motivation and organizational culture that may mediate or otherwise condition the impact of financial and non-financial rewards (Sansone & Tang,

2021). These gaps are most pronounced in the U.A.E. context where public sector organizations operate in a multi-cultural, policy environment, and are straddled between the imperative to provide quality service and the balancing act of Emiratization and other national strategic priorities (Ali et al., 2023).

The importance of this study comes in three parts. First, the study zooms in on the UAE's public sector organizations, providing the context-specific evidence on the influence of financial and non-financial factors, whereby the unique job security, benefits, and public-service obligation structures are public sector employment; second, the study's simultaneous consideration of financial (salary, bonuses, and benefits) and non-financial (recognition, work, and empowerment; environment, career, and others) factors) rewards, provides a more comprehensive framework, and model to understand the different motivating factors and their impact on effective performance outcomes (Ibitomi et al 2020). Finally, the findings are expected to address the practical contribution of the incentive redesign frameworks and practical HR guidance to UAE public sector organizations to extricate the classic paradox of aligned reward systems and policies to the country's motivating, retaining public servants, and enhancing the sustainable performance of public sector organizations (Alketbi et al 2022).

Research Methodology

This study adopts a quantitative, cross-sectional survey design to examine the effects of financial and non-financial incentives on EP in public organizations in the UAE. Using a survey methodology allows for the structured assessment of attitudes and behaviors of a significantly large number of respondents and facilitates the evaluation of the empirical relational hypotheses through statistical techniques (Creswell &Creswell, 2018; Sekaran & Bougie, 2020). The study's target population includes public sector employees in the UAE, spanning administrative, technical, and supervisory levels. A stratified random sampling technique will be employed to ensure proportional representation across departments and demographic groups.

The minimum sample size will be determined using Cochran's formula and power considerations for multivariate analysis. Consistent with Hair et al. (2019), a target sample of 300–400 respondents are considered adequate for regression analysis. Participation will be voluntary and anonymous to ensure honest responses.

Flexibility, Recognition, Workplace environment, and Leadership support are used to measure non-financial incentives. Salary, End-of-term benefits, Other financial incentives are used to measure Financial Incentives. Items will be adapted from validated HRM and reward-

management scales in prior literature (Noor et al., 2020). All items will be measured using a Seven-point Likert scale (1 = Strongly Disagree to 7 = Strongly Agree).

EP will be measured through self-reported indicators of task accomplishment, productivity, quality of work, and goal attainment, adapted from established scales (Bert & van, 2023; Alves & Lourenço, 2023).

Gender, age group, work experience, and education level will be included as controls to account for demographic variation in performance outcomes (Riyanto et al., 2021; Valk & Yousif, 2023).

The confidence level for the current study is 95%. Therefore, the significance level will be 0.05. The following diagram illustrates a conceptual framework with hypotheses.

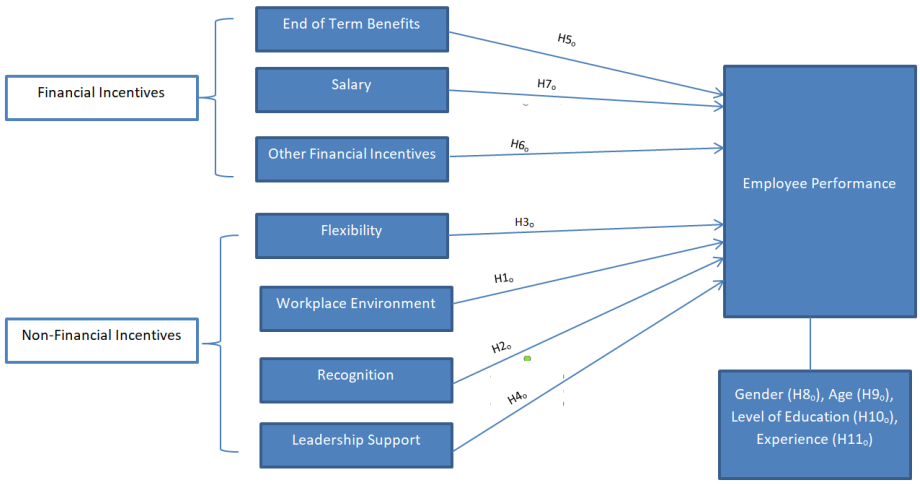

Figure 1 Conceptual Diagram with Hypotheses

Source: Author, 2024

The following are the hypotheses:

$H1_o$: Workplace environment has no significant impact on EP in public organizations in the UAE.

$H1_a$: The workplace environment has a significant impact on EP in public organizations in the UAE.

$H2_o$: Recognition has no significant impact on EP in public organizations in the UAE.

$H2_a$: Recognition has a significant impact on EP in public organizations in the UAE.

$H3_o$: Flexibility has no significant impact on EP in public organizations in the UAE.

$H3_a$: Flexibility has a significant impact on EP in public organizations in the UAE.

$H4_o$: Leadership support has no significant impact on EP in public organizations in the UAE.
$H4_a$: Leadership support has a significant impact on EP in public organizations in the UAE.

$H5_o$: End-of-term benefits have no significant impact on EP in public organizations in the UAE.
$H5_a$: End-of-term benefits significantly impact EP in public organizations in the UAE.

$H6_o$: Other financial incentives have no significant impact on EP in public organizations in the UAE.
$H6_a$: Other financial incentives significantly impact EP in public organizations in the UAE.

$H7_o$: Salary has no significant impact on EP in public organizations in the UAE.
$H7_a$: Salary significantly impacts EP in public organizations in the UAE.

The first section will capture respondent demographics, and the second section will be the measurement scales for the study constructs. Content validity will be handled by an expert review which will include an academic and an HR professional. A pilot study (n = 30–40) will be conducted to assess item clarity and to check for internal consistency. Reliability will be measured and an alpha score of 0.70 will be considered acceptable (Hair et al., 2019). Participants will be sent a self-administered online questionnaire using the organization's email. The participants will be informed of the study's purpose and the procedures which will be taken to ensure their anonymity. Participants will also be informed of their right to withdraw from the study. The study will not collect any identifiable information. The study will adhere to the basic principles of research ethics (Creswell & Creswell, 2018) which involve informed consent, confidentiality and the right to withdraw from the study. Data will also be stored securely.

Research Findings

A response rate of 80.75% was achieved, receiving valid answers from 323 out of 400 questionnaires, which is an outstanding figure in the context of survey researches. A frequency analysis was performed by the author, which addressed the collected data with respect to the demographic variables of the respondents. The findings are shown in Table 1.

Table 1 Distribution of Respondents

Gender	Percent	Number
Male	65	210
Female	35	113
	100	323
Age	Percent	Number
21-30	26.3	85
31-40	45	145
41-50	16.8	54
51-60	9.9	32
Above 60	2	6
	100	323
Experience	%	N
1 to 5 years	20.9	68
6 to 10 years	49.5	160
11 to 15 years	21.9	71
Above 15 years	7.7	25
	100	323
Education	Percent	Number
Diploma	7.4	24
Bachelor	64	207
Master	24.9	80
Other	3.7	12
	100	323

Gender-based data distribution indicates that 35 percent (n = 113) of the respondents were females, reflecting the employee profile at public organizations in the UAE. The percentage of male respondents was 65 percent (n = 210). The age-wise distribution shows that the percentage of respondents in the age group of 21–30 years was 26.3 percent (n = 85); 45 percent (n = 145) for ages 31–40; 16.8 percent (n = 54) in the group of 41–50 years, and 9.9 percent belongs to the age group of 51-60 years. Only 2 percent (n = 6) of respondents were in the age group of 60 years or above.

The data on employee experience indicates that 20.9 percent (n = 68) of the respondents reported having five years or less of experience. 49.5 percent (n = 160) had experience of 6 to

10 years. The percentage of respondents with 11–15 years of experience was 21.9 percent (n = 71). 7.7 percent of the respondents had over 15 years of experience (n = 25). A significant percentage of the respondents, 49.5 percent (n = 160), fell within the 6- to 10-year age group.

The following demographic variable is the level of education. The data collected shows that 7.4 percent (N=24) of employees have a diploma, 64 percent (N=207) have a bachelor's degree, 24.9 percent (N=80) have a master's degree, and 3.7 percent (N=12) have other qualifications.

The researcher examined the normality assumption using skewness and kurtosis values. The mean value of other financial incentives (M = 5.73, SD = 0.95) suggests that the responses tend more toward agreement. The mean value of EP is 6.25 (SD = 0.74), with overall responses leaning toward agreement.

The mean value of the variable end-of-term benefits is below six (M = 5.58, SD = 0.98). Mean values for the remaining variables are nearly six or seven. The variable with the highest mean value is Recognition (M = 6.36, SD = 0.57), indicating that the responses agree overall. The mean and standard deviation values for the remaining variables are as follows: workplace environment, M = 6.11, SD = 0.66; leadership Support, M = 6.02, SD = 0.87; flexibility, M = 5.96, SD = 0.81; and salary, M = 6.12=, SD = 0.62.

Table *2* Descriptive statistics for the variables

	M	SD	Skewness	Kurtosis
Workplace environment	6.11	0.66	-0.74	1.01
Recognition	6.36	0.57	-0.50	-0.53
Flexibility	5.96	0.81	-1.21	4.46
Salary	6.12	0.62	-0.73	2.92
End of the term benefits	5.58	0.98	-0.45	-0.13
Other financial incentives	5.73	0.95	-0.58	-0.07
Leadership Support	6.02	0.87	-.014	0.231
EP	6.25	0.74	-.024	0.115

The homoscedasticity assumption was tested using the Breusch–Pagan test. The test yielded a Chi-Square value of 3.87 with 7 degrees of freedom and a significance value of 0.423.

Since the p-value is greater than 0.05, the null hypothesis of homoscedasticity cannot be rejected, indicating that the variance of the residuals is constant across all levels of the independent variables. Thus, the presumption of homoscedasticity is confirmed, reinforcing the credibility of the regression outcomes. The Durbin-Watson statistic was utilized to assess the independence of residuals in the regression models concerning EP. For Model 1, the Durbin-Watson statistic was 2.014, while for Model 2, it was 1.987. Both statistics are sufficiently close to the benchmark of 2, which suggests that the residuals are independent, and autocorrelation is non-existent. Hence, the assumption about the independence of residuals holds, certifying the regression estimates are dependable. Cook's Distance was computed for all 323 data points to identify any potentially influential outliers for the regression analysis. The lowest Cook's Distance was 0.002, which denotes little to no influence for the least influential data point. The highest Cook's Distance reported was 0.185, which is considerably below the generally accepted cut-off point of 1.0, and suggests that no individual data point had an extraordinary impact on the regression outcomes. The average Cook's Distance was 0.039, suggesting that the data points are, for the most part, free of any potentially influential outliers. Hence, all data points were used for the analysis. The VIF (Variance Inflation Factor) and Tolerance statistics were utilized to assess the Multicollinearity among the predictor variables. Tolerance statistics recorded a range of 0.090 to 0.365, while VIF statistics ranged 1.987 to 4.838. Since all VIF values are below the critical threshold of 10, and all Tolerance values are above 0.1, we conclude that multicollinearity is not an issue. Thus, the independent variables are sufficiently independent and can be included simultaneously in the regression models.

Table 3: Model summary

Model	R	R-squared	Adjusted r-squared	Std. Error of the estimate
1	.821[a]	.629	.593	.361
2	.833[a]	.736	.672	.213
Predictors[1]: (constant), Salary, End of the term benefits, Other financial incentives, Predictors[2]: (constant), Flexibility, Recognition, Workplace environment, Leadership Support				

According to summary of model 1 in table 3, there is a strong correlation between financial incentives and EP (r = 0.821). The R-squared value of model 1 shows that 62.9% of variability of EP is explained by the independent variables. The adjusted R-squared value for Model 1 is 0.593, indicating that factors contribute to the variance.

The model 2 summary in Table 3 indicates a strong relationship between non-financial incentives and EP (r = 0.833). The R-squared value for Model 2, as provided in the table, indicates that the independent variables predict 73.6% of the variance in EP. The adjusted R-squared value for model 2 is 0.672, indicating that few external factors contribute to the variance.

Table 4 ANOVA results of regression analysis

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	78.82	3	12.356	32.005	.000[b]
	Residual	103.82	320	1.458		
	Total	182.64	323			
2	Regression	96.892	4	24.223	27.064	.000[b]
	Residual	285.505	319	0.895		
	Total	382.397	323			
Dependent variable: EP						
Predictors[1]: (constant), Salary, End of the term benefits, Other financial incentives, Predictors[2]: (constant), Flexibility, Recognition, Workplace environment, Leadership Support						

Table 4 provides the ANOVA results of the regression analysis. The table illustrates the significance of the F-value, helping the researcher determine whether the predictors can significantly predict variance in EP. Therefore, the study's model is sufficient to explain the variance in EP ($F [3, 320] = 32.005$, $p < .00$) for model 1 and ($F [4, 319] = 27.064$, $p < .00$) for model 2.

Table 5 presents the coefficients of determination values for individual variables. Overall, the impact of the independent variables on EP is significant; however, for the purpose of testing hypothesis, the researcher examined the impact of both financial and non-financial incentives on EP. Table 30 indicates that both financial variables (salary, end-of-term benefits,

and other financial incentives) and non-financial variables (Flexibility, Recognition, Workplace environment, and Leadership Support) significantly predict EP.

Table 5 Coefficients of determination values for individual variables

Model		Unstandardized coefficients		Standardized coefficients	T	Sig.	Collinearity statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(constant)	0.336	0.361		0.835	0.004		
	Salary	0.193	0.067	0.112	2.881	0.004	0.129	3.466
	End of the term benefits	0.143	0.034	0.105	4.206	0.000	0.090	4.838
	Other financial incentives	0.114	0.041	0.142	2.780	0.006	0.146	3.762
2	(constant)	0.421	0.452		0.779	0.003		
	Workplace environment	0.191	0.035	0.122	5.457	0.000	0.350	2.054
	Recognition	0.216	0.024	0.108	3.619	0.000	0.365	1.987
	Flexibility	0.212	0.045	0.194	2.767	0.000	0.135	2.560
	Leadership Support	0.181	0.051	0.116	3.549	0.001	0.169	3.450
Dependent variable: EP								

Table 5 presents collinearity statistics; the two columns under this heading are the tolerance and variance inflation factor (VIF). The VIF values range from one to five, indicating a possible moderate correlation among the independent variables. However, this might not pose any threat to the regression model. Hence, no specific measure related to multicollinearity is required. Similarly, the tolerance values are high, indicating that the problem of multicollinearity is not severe. Hence, the researcher concludes that there is no problematic multicollinearity effect on the regression model. Therefore, EPERM and other independent variables have a statistically significant relationship. Similarly, the significance level was less than 5 percent (0.05) for independent variables. The b coefficient was also positive, equal to 0.234, for the workplace environment. The value of the b coefficients for recognition was 0.220. It was further observed that other financial incentives (Beta = 0.142) were more influential in explaining EP than salary (Beta = 0.112). The other variables (in their order of influence) were flexibility (Beta = 0.194), leadership support (Beta = 0.116), and end-of-term

benefits (Beta = 0.105). These results lead to the acceptance of $H1_a$ $H2_a$, $H3_a$, $H4_a$, $H5_a$, $H6_a$, and $H7_a$.

Conclusion, Limitations, and Recommendations for Future Study

The researcher concluded that the employee's salary has a significant impact on their performance in the public sector ($\beta = 0.112$, $p < 0.05$). Furthermore, the end of the term had a positive impact on the public sector in the UAE ($\beta = 0.105$, $p < 0.05$). Lastly, the impact of Other financial incentives on EP was significant ($\beta = 0.142$, $p < 0.05$). The data pointed out that financial rewards significantly influence EP.

Considering the four variables that concerned the researcher, there was all four variable, in the case of non-financial incentives, influence on the performance of the public sector employees in the UAE. in the case of EPERM, the Workplace Environment had an influence of $\beta = 0.122$, at $p < 0.05$. There was also an influence in EPERM from Recognition, Leadership support, and Flexibility.

There is an indication that for the public sector organizations in the UAE, there needs to be an improved reward system. There is both positive and significant influence of performance from financial rewards such as end of term benefits, monetary awards, and basic salaries as these demonstrate that there is motivation, commitment and work effort, especially when there is fair compensation (Ginbar, 2020). The Supportive Workplace, Recognition, Leadership, and Flexibility, there also is an influence of performance, and these demonstrate the non-financial incentives that are equally important to retain the intrinsic motivation, and to encourage role expansion (Noor et al., 2020; Diamantidis & Chatzoglou, 2019). The evidence also suggests that public organizations need to avoid salary-centric frameworks in designing reward systems. Thus, the evidence implies that UAE public sector HR leaders should prioritize supportive leadership, structured recognition, a relaxed work environment, and flexible work alongside competitive pay to improve performance, retention, and service quality.

Limitations

The study does have limitations, some of which will be noted here. The first is the cross-sectional design that only captures perceptions at a particular moment in time. In doing so, it does not establish any cause-and-effect relationships between the variable's incentive and performance. The second is measuring through self-report instruments that are susceptible to common-method bias, and the social desirability effect. The third is the study sample consisting of only some of the public-sector organizations in the UAE, which may cause an absence of

diversity in the results and consequent claims that could apply to other sectors and other countries. The last of the noted limitations is the absence of some other variables, such as job satisfaction and organizational commitment, as well as the absence of some cultural context that may have a directional influence on the relationship between the variable's performance and incentive.

Future Recommendations

Employee experience is best studied using longitudinal and/or mixed methods designs for capturing contextual detail and causation. Additional model constructs are encouraged, such as job satisfaction, organizational commitment, and employee engagement as mediators, and leadership style or organizational culture as moderators. Reward–performance relationship studies across the GCC countries or across the public and private sectors would contextualize the research in the differences of the regions. Finally, in the UAE public sector, tailoring impact and targeted reward structures would best be served through qualitative studies on employees' perceptions and interpretations of incentives.

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