



## Green Compensation And Reward System: A Novel Approach Towards The Growth And Sustainability Of Organization.

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### Abstract

**Purpose:** The study sought to evaluate the influence of green reward and compensation practices in environmental sustainability. The purpose of this article is to emphasize the necessity of incorporating Green compensation and reward into green HRM practices in organizations, as well as the direct influence on organizational performance and environmental sustainability.

**Design/methodology/approach:** The research was quantitative and cross-sectional in nature. The study included ISO-14001 certified manufacturing organizations to better suit the research goal. Purposive sampling was employed to collect information from 235 managers. A well-organized questionnaire to assess the entire research process. The data analysis was carried out using SPSS.

**Findings:** The findings of the study indicate that green reward is essential for environmentally conscientious organizations to fulfil their goals of efficient resource usage while also serving the wider cause of environmental protection. There is an urgent need to create environmentally friendly capabilities in employees so that they can apply eco-efficient organizational practices.

**Research limitations/implications:** This study also has limitations in terms of the generalizability of its findings. It is primarily owing to the small sample size and restricted geographical region.

**Practical implications:** To meet the demands of their global clientele and remain competitive in international marketplaces, forward-thinking manufacturers must develop a consistent green management philosophy. It is also vital for government authorities to develop environmental policies that require the adoption of pro- environmental corporate practices as well as the measurement of their consequences.

### Originality/value

This research will contribute to the body of knowledge by offering an empirical analysis of green reward and compensation for achieving organizational efficiency and environmental sustainability in the industrial sector. It will provide a new setting for future researchers in

<p>CC License CC-BY-NC-SA 4.0</p>	<p>green reward and compensation and management practices, as well as related topics.</p> <p><b>Key words:</b> <i>Green HRM, Green Reward and compensation, Organizational development, Environmental sustainability.</i></p>
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## I. INTRODUCTION

It is vital to provide specialized green-related competencies to employees as well as to purchase their dedication to the green cause. As a result, studies have been conducted to explore the effects of green human resource management on environmental performance, with green reward and compensation (i.e. interventions aimed at cultivating green-related competencies) emerging as a critical practice. This study adds to the rapidly growing body of knowledge on green reward and compensation in two ways. First, our findings indicates that green reward and compensation is related with employees engaging in voluntary pro-environmental behaviors; this association is mediated by green reward and compensation instilling a sense of challenge in employees, prompting them to engage in green-oriented discretionary effort. Second, unlike other types of reward, green reward and compensation boosts employee job satisfaction, according to the survey. Green human resource management practices appear to be used by a considerable number of organizations around the world. Exploring and synthesizing these green HRM practices that are currently being implemented and will be implemented by businesses and other organizations will make a significant academic and practical contribution to the HRM sector. Green HRM developed as a new area of research in organizational studies after the 1990s. The most important job of human resources is green reward and compensation and development. Without a doubt, environmental sustainability and social responsibility have risen to the top of the agenda. As a result of intense arguments over global warming, recycling, energy conservation programs, and natural disasters, environmental problems have gained significance.

Young people are preoccupied with environmental issues that are dominating political debates throughout the world. It is fairly uncommon for young individuals to look their boss in the eyes and ask, "Where did you get that exquisitely carved wooden door installed in the entrance?" Young job searchers today are sophisticated, clever, confident, and energetic, and they wear social, environmental, and political issues on their sleeves. Employers are also seriously considering becoming green. In recent years, an increasing number of large corporations have used their environmental record to gain a competitive advantage over competitors as well as potential employees. Welcome to the world of eco-friendly hiring. Going green isn't just a fad; it's the only way to live. Green reward and compensation and development courses assist organizations in involving personnel about green practices in the industry, as well as encourage them in work procedures to conserve energy and reduce waste of scarce resources. This will also allow employees to participate in environmental problem solving and the development of innovative techniques of decreasing workplace environmental pollutants and risks, particularly in the chemical, pharmaceutical, manufacturing, and service sectors such as hotels and hospitals. Thus, green reward and compensation in such businesses entail familiarizing newcomers with the organization's greening efforts and building modules for them that will aid in establishing green citizenship behavior in the future.

## II. LITERATURE REVIEW

❖ Green reward system plays a vital role in motivating people and helps in identifying their significant performance towards environmental management (Teixeira et al., 2012). The objective of adopting rewards criteria is to achieve, maintain and motivate people for performing well and realizing the importance of environment protection (Lindström & Vanhala, 2011). Green reward system means to align the system with green policies and practices used by the firm. It should be designed to produce green initiatives in the workplace, lifestyle and reducing carbon footprints (Pillai & Sivathanu, 2014). People should be rewarded with bounces for their interest in understanding and developing eco-friendly culture (Liebowitz, 2010). There are many types of reward practices that firms may use to green skills acquisition.

❖ Rewards can be in the form of financial based EM rewards (e.g. premium, cash, bounces), nonfinancial based EM rewards (e.g. leave, gifts, sabbatical), recognition based EM rewards (e.g. external roles, daily praise, dinners), and positive rewards in EM (e.g. feedback) (Renwick et al., 2013; Opatha & Arulrajah, 2014). All of these forms of reward system value workers who participate in green practices (Renwick et al., 2013)

through recognizing and rewarding people that are devoted to enjoying environmental objectives, and those managers who motivate their subordinates to perform eco-initiatives (Arulrajah et al., 2015). Several studies concluded that firms can achieve positive environmental performance through providing different forms of rewards such as praise letter, promotion, career gains, bounces, cash, gifts, etc. (Prasad, 2013; Ahmed, 2015; Arulrajah et al., 2015; Renwick et al., 2013; Opatha & Arulrajah, 2014).

❖ Green reward and compensation mechanism includes all economic and non-economic perks that are provided to employees to attract, inspire, and engage them toward the achievement of green organizational goals (Tang et al. 2018). A green reward and compensation system also leads to the development of employees' green behavior. As per social exchange theory, a positive behavior is manifested when an individual gets a positive gain with regard to behavioral consequences (Jiang and Kim 2015). Mandago (2018) argued that implementation of these practices is very vital for enhancing employees' organizational interest along with amplifying their efforts and attempts for organizational goals and objectives accomplishment.

❖ Work organizations are ideally seen to benefit from establishing a reward system for waste reduction practices that teams develop. For example, in the U.S., DuPont has an Environmental Respect Awards program which recognizes employee environmental achievements, and both Nordstrom and 3M offer rewards for suggestions that individual staff make to help the environment and increase firm profitability (May and Flannery, 1995: 35-36). Reward packages are related to acquiring designated skills and competencies (and not just for performance), as they are seen to be important factors in performance over the long-term, an example being that knowledge of environmental legislation or chemistry may prevent serious accidents or illegal emissions occurring (James, 1996: 44-45). In general, such organizations are seen to need to develop reward systems to produce desirable behaviors in EM, and doing so requires effective employment of both incentives and disincentives (Rees, 1996: 372). It may be that as per the U.S. experience, negative reinforcements (like suspensions, criticisms and warnings) are needed to get employees to make environmental improvements, e.g. if employees engage in lapses in the handling of hazardous waste. But using such negative reinforcements does not teach staff how to dispose of waste properly, and may result in them failing to disclose environmental problems at source (as employees engage in self-protective behaviors). So, instead, organizations may wish to engage in giving employees positive rewards in terms of verbal feedback from supervisors, as such informal verbal and written feedback which might help motivate employees towards environmental improvements (Govindarajulu and Daily, 2004: 369).

❖ Monetary-based environmental reward systems have been developed, where for example, an important proportion of monthly managerial bonuses are dependent upon performance outcomes in EM (Milliman and Clair, 1996: 66), and company practice in the U.S., Europe and Britain has examined the Greening of Performance-Related Pay (PRP). In the United States, companies such as Du Pont base their executive compensation and bonus system for middle managers and senior officers in part on environmental stewardship practices, where bonuses can be over 10 per cent if they develop an environmentally benign pesticide for agriculture or a non-polluting product (May and Flannery, 1995: 30; Snyder, 1992). In Europe, companies like Neste Oy in Finland include environmental performance goals as a standard part of their bonus system, and line managers have license to allocate rewards to motivate employees at Neste Oy in Sweden (Ramus, 2001: 101). In Britain, at ICI 'environmental targets would form part of senior managers' PRP assessment' (Snape, Redman and Bamber, 1994: 134). While some firms have started to include EM issues into their PRP systems, as an extra performance criterion or as a baseline standard to be met to qualify for PRP (Wehrmeyer, 1996: 19), Fernandez, Junquera and Ordiz (2003: 647) note that assessing results that employees produce in environmental activities is a difficult task (as quantitative measures may distort outcomes). They argue that it is important to consider the successful linking of contingent remuneration for senior managers and the higher performance produced in environmental management, and the successful use of public recognition systems that include financial compensation for employees.

❖ Recognition-based rewards exist for managers in U.S. companies such as Monsanto, Dow Chemical, and ICI Americas Inc, but one reason for a slow spread of such reward systems to all employees is that most firms have relatively new environmental appraisal systems (Milliman and Clair, 1996: 65). Other recognition-based rewards in the U.S. and U.K. include senior managers at Coors presenting awards in public meetings, and via news articles at Duke Power. Recognition-based rewards in EM are offered at different levels within companies, for example by CEO's annually for individual, team, and divisional contributions to waste reduction at EG&G Inc., company-wide team excellence awards at Xerox, and in non-traditional forms like the Body Shop (U.K.) paying their employees for performing community service, and giving them opportunities to attend green events and rallies (Milliman and Clair, 1996: 66). Indeed, some U.S. companies like Federal Express are offering employees sabbaticals (which enable them to take up to 3 months paid leave every five years to work on jointly-agreed projects with the firm). Issues here are what new rewards need to

be developed to motivate younger people, and how rewards like promotion can be linked to the environmental performance of employees (Milliman and Clair, 1996: 67-68, Wall Street Journal, 1995). Other innovative non-monetary rewards that are being used by U.S. firms include paid vacations, time off, favoured parking, and gift certificates – with them all seen to encourage employees on environmental performance (Govindarajulu and Daily, 2004: 368), whereas in Europe, the use of environmental rewards and recognition (like daily praise and company awards) are seen to have a significant impact on employee willingness to generate eco-initiatives (Ramus, 2001: 93).

❖ In Britain, BskyB allows employees to build up points for positive behaviors regarding emissions reduction on a “carbon credit card” to earn extra benefits (Brockett, 2006: 19), and Sky has put in place a £1,300 cash incentive for staff to purchase a hybrid car (Davies and Smith, 2007: 30). At first direct, HR are looking to establish an annual awards dinner to recognize exemplary behavior regarding on environmental values (Simms, 2007: 39), the latest CIPD/KPMG survey has found 8% U.K. firm respondents rewarding green behaviors with awards and recognition as well as financial incentives (Phillips, 2007: 9), and Shell view highly those with knowledge and experience in the biofuels area (Brockett, 2007: 9). There are many ways in which incentives can be provided in an environmentally friendly way. For example, car mileage for company cars can be extended to bicycle journeys and loans, staff can be offered financial substitutes for car allowances, carpooling/sharing provisions can be encouraged, and company cars can be limited to journeys beyond public transport only (Wehrmeyer, 1996: 16). Organizations can also place financial incentives into their reward strategies, as tax incentives and exemptions promote loaning bicycles and safety equipment to employees, and a less polluting car fleet too (Davies and Smith, 2007: 29).

#### ❖ **Steps to Implement Green Reward:**

- ✓ The organization should share its profit as a form of appreciation.
- ✓ There should be bonus to the employees who accomplish environmental assignments.
- ✓ The state corporation should recognizes employees who are rated as environmental champions.
- ✓ There should be issuance of special leaves to staffs who are environmental champions.
- ✓ The management prefers to customize their compensation package to reflect their environmental goals.
- ✓ Organization should offer gifts to staff members considered environmental champions.
- ✓ Employees recognition should use as a form of reward in the organization.
- ✓ Employees should be appreciated in front of the other employees and should be rewarded in shape of monetary benefit like salary increment, incentives, bonus and promotion or felicitation.

#### ❖ **ENVIRONMENTAL SUSTAINABILITY**

Development for the Long Term The concept of sustainable development has evolved but remains contentious. Some say that certain approaches to environmental protection are too restricted, while others have negative views on the microeconomic level within organizations (Borys, 2015). The Triple Bottom Line (Dyllick & Hockerts, n.d.), (Elkington, 1997) underpins the concept of sustainable development. There are three basic characteristics of sustainable development (Graap, 2001):

- Ecological (environmental and natural resource protection).
- Economy (unrestricted economic development fueled by technological improvements and increasing efficiency in the utilization of resources, materials, and labour),
- Social (improvement of living conditions and safety of all people). Sustainable development can answer global challenges related to human activities in developing and developed countries.
- These practices and concepts can help to construct a civilization focused on mitigating and preventing the negative effects of economic progress. Furthermore, the notion is a type of economic development modernization that emphasizes new management method approaches in organizations capable of producing diverse economic entities as well as the replacement of environmentally friendly technologies (Poskrobko, 1997). The World Commission on Environment and Development thinks that sustainable development may meet the requirements of the current generation without jeopardizing future generations' potential. Furthermore, sustainability development is regarded as smart, environmentally friendly, and in the efficient use of resources through the application of knowledge and the generation of innovation (Kromer, 2014).

### III. OBJECTIVES OF STUDY

The present study has the following objectives:-

- To study the meaning of Green reward and Compensation.
- To analyze the importance of Green reward and compensation in organizational development.
- To study how Green reward and Compensation is helpful in environmental sustainability.

### IV. RESEARCH METHODOLOGY

“The study employed a correlational research methodology to examine the relationship between green recruiting and selection and the sustainability of the chosen Manufacturing Company in the Odisha region. This type of research design was crucial to this study because the researcher aimed to discover the relationship between independent and dependent variables.”

The study’s target demographic includes 950 respondents from 12 Odisha manufacturing organizations. To choose respondents from manufacturing, a sample size of 280 was determined using proportionate stratified sampling. A standardized questionnaire with a 5-point Likert scale was used to collect primary data on Green reward and compensation and development. Secondary data on organizational sustainability was gathered using the Manufacturing Factory's website and published publications. Descriptive statistics (mean and standard deviation) were employed to offer an overview of the data. To investigate the association between green reward and compensation and manufacturing factory selection, simultaneous correlation and regression analyses were performed.

The current article is based on secondary source data and assists in clarifying the meaning and concept of green recruiting, highlighting trends towards green reward in Odisha State, and identifying companies that are implementing green recruiting practices. The secondary data was primarily gathered from textbooks, periodicals, journals, the internet, and the Odisha Department of Energy, Labor, and Economic Growth’s Green Jobs Report 2009 (produced by the Bureau of Labor Market Information and Strategic Initiatives). The study employed a Likert Scale to assess the degree to which respondents agreed to particular questionnaire statements in order to analyze specific green human resource management practices used at diverse IT organizations. A score of 5 meant extremely agree, a score of 4 meant agree, a score of 3 meant neutral, and a score of 2 meant disagree on the Likert Scale.

**Table 1: Green reward and compensation**

Statement	SA	A	N	D	SD	Mean	SD
Institute link suggestion schemes into reward system by introducing rewards for innovative environmental initiative performance.	10 (7%)	97 (63%)	25 (16%)	11(8%)	10 (7%)	3.5621	.95855
Institute provide monetary reward to employees for good environmental performance.	15 (10%)	56 (37%)	52 (34%)	30 (20%)		3.365	.9086
The organization provides proper training to the employees before implementation of any green initiative?	35 (23%)	103 (67%)	5 (3%)		10(7%)	4.000	.9247
Team excellence awards to teams for better environmental performance.		50 (33%)	31 (20%)	52 (34%)	20 (13%)	2.724	1.058
Green reward and compensation and development has increased factory employee retention.	10 (7%)	82 (54%)	30 (19%)	21(13.7%)	10 (7%)	3.398	1.021

The manufacturer, according to the above table, has developed a green job description for its employees ( $M = 3.561$ ;  $SD = 0.9585$ ). According to the respondents ( $M = 3.365$ ;  $SD = 0.9086$ ), the factory additionally engaged personnel who were educated on green practices. According to the majority of respondents ( $M = 4.000$ ;  $SD = 0.9247$ ), the manufacturer encouraged fresh applicants to apply for opportunities using green criteria. The majority of respondents ( $M = 2.724$ ;  $SD = 1.058$ ) disagreed on whether the Manufacturing plant preferred performing green reward and compensation for prospective employees. Finally, the overwhelming majority of respondents ( $M = 3.3987$ ;  $SD = 1.02174$ ) believed that green recruiting and selection increased factory staff retention. Finally, these data demonstrate that many IT manufacturers used Green reward and compensation and development practices, resulting in the long-term profitability of diverse firms. Chen, Hossen, Muzafary, and Begum (2018) discovered that 80% of the selected banks used recruiting and selecting procedures, resulting in greater efficiency and effectiveness in management processes.

**Inferential Statistics:** Only one independent variable was used, a simple linear regression model was used to analyze the association between Green reward and compensation and development and the sustainability of selected industrial organizations. The following model was assessed in the study.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where Y=dependent variable (organization sustainability);  $\beta$  = constant;  $X_1$  = independent variable (Green reward and compensation and development);  $\varepsilon$  = error term

**Table 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	0.845 <sup>a</sup>	0.713	0.703	0.67771

- Predictors: (Constant), Green reward and compensation and development.
- Dependent Variable: Organizational development and environmental Sustainability

Findings ( $R = 0.845$ ) show a good relationship between green reward and compensation and the Organizational development and environmental sustainability of manufacturing industry.  $R^2$  is 0.713, which means that one unit change in green recruiting and selection practices can explain 71.3% of the variation in organizational sustainability.

**Table 3: Analysis of Variance**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	168.132	4	42.031	91.508	0.000 <sup>b</sup>
	Residual	67.967	138	0.469		
	Total	236.089	142			

- Dependent Variable: Organizational & Environmental Sustainability
- Predictors: (Constant), Green reward and compensation and development

The results reveal that there is a statistically significant link between the independent factors and the dependent variable,  $F(4,148) = 91.508$ ,  $p < 0.05$ . This implies that the regression model was well-suited to the data. Furthermore, the Variance Analysis shows that Green reward and compensation and development had an impact on the long-term viability of the selected manufacturing plants. As a result, management should emphasize the aforementioned practices. These findings corroborate Hadjri, Perizade, and Farla's (2019) discovery of a statistically significant association between Green Human Resource management and company sustainability.

## V. RESULTS AND DISCUSSION

The study's major purpose was to establish a link between green reward and compensation and the long-term survival of the chosen Odisha Manufacturing Company. The study had a 91% response rate, implying that 253 of the 278 questionnaires distributed were returned. According to the poll, the majority of respondents (60.2%) were aged 28 to 37, with those younger than 27 accounting for 22 (14.4%), those aged 38 to 47 accounting for 50 (32.7%), and those aged 48 to 57 accounting for 21 (13.7%). The poll also showed that 72 (47.1%) of respondents were graduates, 51 (33.3%) held a diploma, and 30 (19.6%) held a postgraduate certification or degree.

This shows that the majority of respondents understood the influence of various green human resource management practices on manufacturers' long-term viability. Finally, the majority of respondents, 93 (60.8%), had worked in a manufacturing factory for 11 to 15 years. 50 (32.7%) had been employed at the factory for 6 to 10 years, with 10 (6.5%) having been employed for more than 16 years.

## VI. CONCLUSION

The availability of green job descriptions for all employees shows that the chosen manufacturing company has embraced green reward and compensation and development practices that contribute to long-term sustainability. Green job descriptions are available for all employees, demonstrating that the manufacturers chosen have implemented Green reward and compensation and development that contribute to their long-term sustainability. While several manufacturers have successfully embraced and implemented green human

resource management practices, the study recommended that they build a platform that would allow them to conduct interviews online. The environment affects everyone. Green reward and compensation allows the organization to stand out in a crowded recruiting landscape. Despite the fact that many organizations constantly engage in green projects, recruiters rarely use them as a recruiting strategy. All businesses must now analyze how environmentally friendly their operations are. Businesses fight to use the greenest practices. On the one hand, firms can utilize their environmental stewardship to attract top talent and to provide them training for this. On another level, it's an excellent opportunity for head hunters to help to environmental preservation. Green claims demonstrate a company's commitment to the environment and society.

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