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# THE IMPACT OF REWARD SYSTEMS ON EMPLOYEE MOTIVATION AND RETENTION IN THE WORKPLACE

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## ABSTRACT :

Employee retention is a very vital element of organizational success, directly influencing various factors such as productivity, operational costs, and the preservation of institutional knowledge. This study mainly explores the impact of rewards and benefits on employee retention, mainly emphasizing major strategic approaches that enhance workforce stability and job satisfaction. Offering competitive compensation which including salary, performance, providing work life balance, bonuses, health insurance, retirement plans, and wellness programs proves essential in attracting and engaging top talent of the organizations. Beyond initial attraction, rewards and benefits significantly boost long-term productivity, employee motivation and loyalty. Performance based incentives and structured career development opportunities contribute mainly to boost employee morale, while the perceived fairness and customization of benefits further strengthen retention. When employees view their compensation as equitable and which is aligned with their individual needs, then their organizational commitment automatically increases. Additionally, employee well-being initiatives, such as work-life balance programs, flexible work arrangements, and mental health support, and healthy environment plays a very important role in retaining top talents. To maximize the influence of rewards and benefits on retention, organizations must focus on these four key strategies which include personalization, clear communication, industry benchmarking, and recognition systems which is tied to growth of an organization and individual itself. In conclusion, a well-structured rewards and benefits programs are very powerful determinants of employee retention. Organizations that adopt human resource strategies rooted in fairness, transparency, and development are more likely to foster a high performing, which is committed to workforce ultimately driving long-term success of both employees and the employer.

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**Keywords :** Employee Retention; Rewards and Benefits; Compensation Strategies; Job Satisfaction; Employee Motivation; Work-Life Balance; Organizational Commitment; Career Development; Recognition Programs; Employee Well-being; Flexible Work Arrangements; Workforce Stability; Human Resource Management.

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## INTRODUCTION

In today's very competitive business environment, Employee retention is now a strategic imperative in the current highly competitive business environment where organizations want to maintain a productive and committed workforce. Turnover at high rates not only imposes enormous recruitment and training expenses, but also destabilizes productivity and causes the loss of valuable organizational knowledge. For these challenges, rewards and benefits are being highlighted more by firms as an important strategy for engaging, motivating, and retaining workers.

Rewards and benefits include financial as well as non-financial benefits provided as employee contributions. Even though competitive base pay, bonuses, and equity options provide the basis of money rewards, such non-monetary rewards like public recognition, developmental opportunities, family-friendly initiatives, and integrated benefit packages equally impact employee satisfaction and loyalty.

The dynamics of rewards, benefits, and employee retention are complex. While money is vital in attracting and retaining star performers, it is also necessary to complement these with non-monetary aspects that respond to employees' integrated needs. Appreciation, for one, creates feelings of value and belonging, while career development opportunities indicate an organization's investment in employee growth. Work-life balance and wellness programs also add to employee happiness and fulfillment.

In addition, reward systems' effectiveness is determined by generational expectations and individual preferences. Some employees, such as younger workers, might prefer flexibility and growth, whereas others might prefer job security and formal benefits. Thus, a single-fits-all strategy is usually insufficient. Organizations need to implement a balanced and inclusive rewards approach that appeals to various employee needs in order to enhance retention and long-term organizational success.

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## REVIEW OF LITERATURE

Reward systems play a crucial role in shaping how employees behave in the workplace. They go beyond just boosting job satisfaction and motivation they can also determine whether someone chooses to stay with a company for the long term. Many researchers have explored how different types of

rewards, both internal (like a sense of accomplishment or personal growth) and external (such as bonuses or promotions), impact employee performance across a wide range of industries and workplace cultures.

In their study on nurses in South Africa, **Terera and Ngrande (2014)** they found that while rewards had a very clear influence on employee retention, and also they didn't always guarantee job satisfaction. They Mainly highlighted the importance of designing reward systems that adapt to employees' changing needs. Even in fields with high employee turnover, financial perks and benefits helped reduce people leaving their jobs.

**Putri and Adnyani (2021)** mainly focused on the healthcare sector in Indonesia and they found a very strong connection between the reward systems and both motivation and retention. Their study also revealed that when employees felt motivated and satisfied in their roles, then they were more likely to stay loyal to their respective organization. They also emphasized the importance of fairness and transparency in rewards, as these elements helped minimize the burnout and dissatisfaction.

Looking at the huge banking industry in Port Harcourt, Nigeria, **Amadi, Zeb-Obipi, Lebura, and Poi (2021)** they found that key reward elements like salary, promotions, and recognition—had a very strong positive impact on employee retention which is very important for the organization. Their research showed the growing belief that while money matters, today's employees also value career growth, work life balance and feeling appreciated.

From a more theoretical angle, **Murphy (2015)** mainly discussed various reward systems, such as team-based rewards and performance-linked pay. Drawing on the data from the mining sector, he argued that when rewards are thoughtfully structured and tailored to the company's culture and economic environment, they can significantly improve motivation and retention at a huge level.

In a follow-up study, **Zeb-Obipi, Lebura, and Poi (2021)** has explored how the rewards affect various different job roles and found that while financial incentives remain very important, non-monetary rewards like recognition and opportunities for professional growth have become just as essential in keeping employees engaged and keep them very much committed and motivated.

**Darma and Supriyanto (2017)** also weighed in, emphasizing how a job satisfaction acts as an important bridge between reward systems and motivation. According to their findings, when employees feel that the rewards they receive are fair and well-deserved, their job satisfaction rises, and they feel very much motivated in their work which in turn boosts motivation and loyalty to the organization for the future.

Together, all these important studies underline the major importance of having a well-balanced approach to rewards aspects. Both the intrinsic rewards like recognition and growth and extrinsic ones such as bonuses and related to promotions they play a big part in keeping employees motivated at a higher level and reducing turnover. But for any reward system to really work, it always needs to be fair, clearly communicated, and aligned with the organization's goals and values for the future growth.

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## OBJECTIVES

1. To study the impact of monetary and non-monetary benefits on employee retention.
2. To study the impact of demographics variables such as age, gender, income levels, experience and status on employee retention

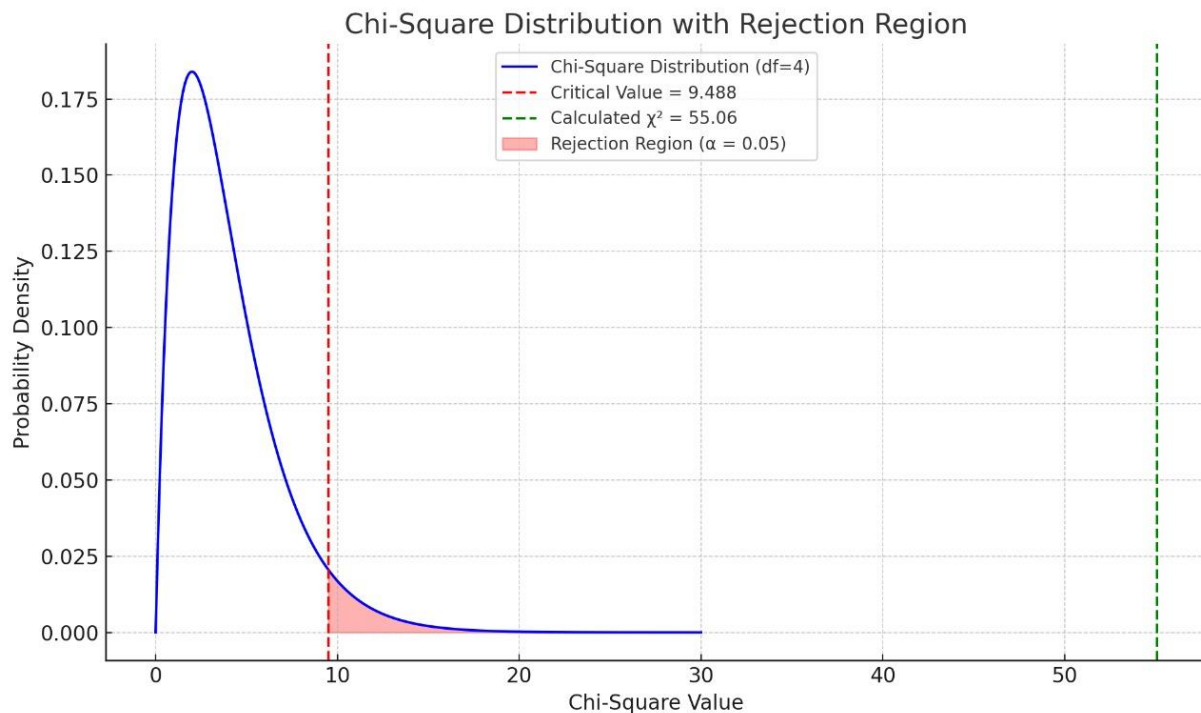
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## FINDINGS & OBSERVATION

### *Hypothesis*

This study mainly aimed to examine the impact of reward systems on employee motivation and retention. The null hypothesis ( $H_0$ ) tells about that reward systems do not significantly influence the motivation and retention, while the alternative hypotheses which are  $H_1$  and  $H_2$  they proposed that both financial and non-financial rewards are very much positively affects the employee satisfaction, loyalty, performance, and overall organizational success which is very important for future growth. The statistical analysis showed a chi-square value of 55.06, which is significantly higher than the critical value of 9.488, which leads to the rejection of the null hypothesis.

These results mainly confirm that the reward systems play a very crucial role in influencing employee motivation and retention. Employees who feel that their compensation fairly reflects their efforts and tend to be more motivated and aligned with their efforts are more satisfied, engaged, and also less likely to leave the organization. Therefore, that's why putting fair and well implementing effective and equitable reward strategies is essential for enhancing job satisfaction, boosting performance, and ensuring long-term organizational long-term success.



#### *Impact of Monetary and Non-Monetary Benefits on Employee Retention*

This study found a very strong positive correlation between both the monetary and non-monetary benefits and employee retention. Competitive salaries, bonuses, and the high performance-based financial rewards significantly they increase the chances of retention, especially when distributed fairly and transparently to the Employees. Customizable compensation packages they further improved the satisfaction and also reduce turnover. However, the financial incentives alone are not sufficient and non-monetary factors played an equally vital role. Work-life balance, career development opportunities, good working environment employee recognition, and a positive organizational culture were key drivers of long-term retention strategies. A holistic approach combining both of these types of rewards is essential for sustaining employee satisfaction and loyalty for the future growth.

#### *Findings Based on Demographic Variables*

The major Findings from the demographic variables in my survey shows that the majority of employees were male, including for 69 out of 108 respondents **63.9%**, while 38 out of 108 **36.1%** were female.

Regarding the income levels among respondent, variations were observed across multiple sectors. In terms of age distribution, the largest group fell within the 35-44 age range (**33.3%**), followed closely by those under 25 years old (**32.4%**). Respondents aged 55 and above made up (**13.9%**), the same percentage as those in the 45-54 age group (**13.9%**), while the smallest segment was the 25-34 age group (**6.5%**).

Mainly the Sector-wise distribution includes, the majority of employees were **23.1%** which worked in the Private Sector, followed by **20.4%** in IT & Software and **19.4%** in the Education Sector. The Public Sector & Governance accounted for **13%**, while the Banking Sector contributed **10.2%**. Healthcare represented **3.7%** of respondents, with another **10.2%** coming from various industries such as Real Estate, Logistics, Renewable Energy, Automobile, Fine Arts, Fashion, Construction, Steel & Metallurgy, and Design.

These findings provide valuable insights into the respective roles of financial and non-financial benefits in employee retention across different demographic groups. The results show the importance of tailored and inclusive retention strategies that mainly accounts for varying preferences, industry trends, and workforce diversity.

## **CONCLUSION**

This study mainly provides the comprehensive insights into the significant role of rewards and benefits in influencing employee retention at workplace. Through the integration of existing literature and empirical data, it shows that a well-structured reward system are vital to an organization's ability to retain talent and reduce turnover and this improves the organization environment healthy.

The findings shows that both monetary and non-monetary rewards have a very much direct impact on employees' decisions to remain with an organization. Monetary incentives such as competitive salaries, bonuses, and performance-based pay continue to be a fundamental expectation that mainly influence the job satisfaction and loyalty amount employees. However, non-monetary benefits, including's flexible work arrangements, opportunities for career advancement, employee recognition which should be a must in every organization, and a positive organizational culture, are equally important in fostering a committed and engaged workforce.

Moreover, the importance of active personalization in reward and benefit offerings has emerged as a key theme for companies these days. Employees always differ in their values, motivations, and life circumstances; therefore, a one-size-fits-all approach may not yield optimal results and desired result. Regular feedback should always be there, open communication, and adaptability in benefit design allow organizations to meet diverse employee needs more effectively.

The research also emphasizes the important roles of leadership and organizational culture in enhancing retention for the organization. A good supportive, inclusive, and engaging work environment where every employee should feel valued, respected, and encouraged to grow contributes significantly to long-term retention.

In conclusion, for organizations to sustain and survive a skilled and motivated workforce should always be there. The investment in comprehensive and employee-centric rewards they benefits the organization which is essential in every aspects. Such initiatives not only reduce turnover costs but also promote an organizational stability, performance, and long-term success and make a organization future proof in terms of stability.

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## SUGGESTION & RECOMMANDATION

Understanding the importance of relationship between rewards, benefits, and employee retention is crucial for organizations aiming to enhance the talent management and also to reduce turnover. Based on this study's scope and findings, the following suggestions and recommendations are presented.

**Clearly Define Objectives:** Establish specific objectives for exploring how these various reward types financial and non-financial impact the employee retention. A well-defined focus makes more accurate and actionable insights that can actually lead to real improvement.

**Conduct a Comprehensive Literature Review:** The Review existing theories and research to build a solid theoretical framework and also to identify research gaps are there or not. This background supports the formulation of meaningful hypotheses and contextualizes findings which makes of your results within a broader context.

**Choose an Appropriate Research Design:** Selection of suitable methodologies such as surveys, interviews, or case studies, or adopt a mixed-methods approach should be done and relevant data should be aligned with the study's objectives. The design should enable reliable data collection aligned with research questions.

**Develop Focused Research Questions:** The Frame should be clear and measurable questions that explore the effects of intrinsic and extrinsic rewards on retention. We can Identify key variables and determine their interrelationships for the study.

**Ensure Effective Data Collection:** All the important data gathering should be used reliable and ethical. Also, legal methods should be used, including employee surveys and interviews with HR professionals. Accurate data collection is very much crucial for drawing valid conclusions.

**Utilize Rigorous Data Analysis:** Apply appropriate quantitative or qualitative analysis techniques is very much important to identify trends, correlations, and insights. This step forms the basis for interpreting the influence of rewards and benefits on retention which helps in determine how rewards and benefits impact the employee retention.

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