

Employee Motivation And Retention: Evaluating The Impact Of Reward Systems And Job Satisfaction

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Abstract

Particularly in a changing environment, organizations face critical challenges to employee motivation and retention. The study focuses on the effect of reward systems and job satisfaction on employee retention intention, as a way of filling the gap in the holistic talent management strategies. Data were collected from 350 employees across a variety of industries using structured surveys, and a cross-sectional research design was used. Correlation and regression analyses were used to investigate relationships among reward systems, job satisfaction, and retention. The results showed that reward systems correlated positively and significantly with job satisfaction ($r = 0.68$) and job satisfaction with retention intentions ($r = 0.73$). The results of regression analysis indicate that job satisfaction ($\beta = 0.59$) had a greater impact on retention than reward systems ($\beta = 0.42$). Retention intentions were explained by 52% of the variance with the model including intrinsic motivators, supportive leadership, meaningful work, as well as traditional reward mechanisms. The study finds that while reward systems are a fundamental part of attracting employees, job satisfaction is key to maintaining commitment over the long term. To achieve satisfaction and retention organizations are encouraged to implement tailored reward strategies, invest in leadership development, and cultivate an inclusive, flexible work environment. Further research needs to be conducted on the longitudinal and sector dependencies, leadership styles, cultural influence, and the incorporation of digital tools into employee engagement.

Keywords: Employee retention, Job satisfaction, Reward systems, Motivation, Workforce management.

1. INTRODUCTION

Motivation and retention of employees, especially in the present management, are the two primary themes of organizational management owing to the changes in the workforce dynamics and competitive environment for labor. Many organizations recognize that sustained growth and competitive advantage depend on a motivated and satisfied workforce. An employee's performance, motivation, and retention impact the level of an employee's commitment to organizational goals and the costs and disruptions resulting from high employee turnover (Bass and Riggio, 2006, p. 26). Reward systems and job satisfaction are two closely related constructs that are essential to employee attitude and behavior. Basic to employee motivation theories such as Maslow's hierarchy of needs, Herzberg's two-factor theory, and Vroom's expectancy theory, reward systems include financial and non-financial

incentives. Meanwhile, the phrase job satisfaction refers to the employee's emotional and cognitive evaluation of their working environment, role, and opportunities that lead to their decision to remain with that organization or not (Deci and Ryan, 2013, p. 67). In recent years there has been a paradigm shift in what rewards and job satisfaction look like. Typically the traditional financial incentives of salary and bonus continue to be important but non-financial incentives such as career development opportunities, recognition, and work-life balance are becoming important to modern employees. Particularly in knowledge-intensive and service-oriented sectors intrinsic reward frequently outweighs extrinsic reward (Herzberg, 1966, p. 54). A growing body of evidence indicates that disengagement and turnover are detrimental and must act to address motivation and retention. The findings of Gallup's State of the Global Workplace report highlight that 21 percent of working people are engaged in their jobs around the world, indicating how widely workplaces are dissatisfied. The cost of high turnover rates (especially in the healthcare, technology, and hospitality sectors) includes very direct costs such as recruitment, onboarding, and training, but also indirect costs including the loss of institutional knowledge and reduced team morale (Locke and Latham, 2002, p. 705).

While there has been a lot of research, organizations are still struggling to reconcile reward systems with what employees expect and how to make them happy, and thus retain them. There is a large gap in understanding how different employee demographics, job roles, and organizational contexts respond to different reward mechanisms. Traditionally, reward plans tend to succumb to sameness, but may fail to address the personified preference and motivation of the heterogeneous workforce (Maslow, 1943, p. 21). The metrics of job satisfaction often fail to contemplate also the subjective and changeable dimensions of the work: the fact that employees' wishes shift during their lives or according to the economy. The interrelation between reward systems and job satisfaction also withers with external input such as technological disruptions, economic volatility, and societal changes. In one such example, the rise of Remote and Hybrid work models has recharacterized the same employees' expectations around flexibility and autonomy, disrupting established premises of rewards and satisfaction (Johnsen, 1964, p. 331). Around the same time, motivators and retention strategies for the workforce were reevaluated due to generational changes in the workforce involving millennials and Gen Z who prioritize purpose-driven work (Harris and Lewis, 2019, p. 163).

The purpose of the study is to examine the intricacies of how reward systems, and by extension job satisfaction, affect employee motives and retention. The research integrates existing theoretical frameworks and empirical evidence to identify existing best practices for rewarding employees to increase job satisfaction and decrease turnover. A range of organizational contexts is covered, with a special emphasis on contexts where high turnover rates are experienced: technology, healthcare, and education. The study is comprehensive but acknowledges some limitations. Second, the findings may be constrained by geography and culture because perceptions of rewards and job satisfaction are conditioned by local socio-economic conditions (Gagné and Deci, 2005, p. 331). Second, employee preferences are dynamic making it difficult to formulate universally applicable recommendations. The data relied upon is thirdly, mostly secondary which may result in a lower granularity of insights into individual organizational practices.

The implications of the research are its potential to inform organizational strategies for addressing critical workforce challenges. Employee motivation and retention are not HR issues, they are strategic imperatives that affect organizational productivity, innovation, and long-term sustainability. Reward systems can be powerful levers that can align employee's goals with organizational goals and a culture of engagement and loyalty (Mausner and Snyderman, 1993, p. 165). From a theoretical perspective, the study bridges gaps in existing literature in the evolving discourse on motivation and job satisfaction. It expands the classical motivation theories based on the contemporary understanding of employee psychology, namely purpose and belonging which are gaining more and more traction at work (Williams, McDaniel, and Ford, 2007, p. 429). The research is practically actionable in terms of manager and HR practitioner recommendations for the customization of rewards and the holistic enhancement of job satisfaction. The implication at a macro level is how the researcher can understand and what he can do to address these dynamics. Employees with a motivation to work are more likely to work positively in their communities and the economy. On the other hand, over time and degree, high turnover and disengagement tend to reinforce economic inequalities and social instability in heavily labor-intensive, highly crosshatched economic regions.

RESEARCH OBJECTIVES

The study aims to achieve the following objectives:

- Investigate how the relationship between reward systems and employee motivation is impacted by the intersection between financial and nonfinancial rewards motivating work engagement.
- It then determines how the job satisfaction of employees affects their retention, and identifies the important contributors like clarity of work role, balancing work with life commitments, and Leadership support.

2. METHODOLOGY

2.1 Research Design

A quantitative research design was used to analyze the effect of reward systems and job satisfaction on employee retention. Primary data was collected using a cross-sectional survey method to ensure that insights were not biased toward the experiences of employees in one industry. The findings were also contextualized by secondary data from previous studies and industry reports.

2.2 Population and Sample

The population included employees in medium to large-sized organizations in sectors such as healthcare, technology, manufacturing, and education. To ensure representation across industries, job levels, and demographic groups a stratified random sampling technique was applied. A sample size of 350 employees was used, based on a 95% confidence level and a 5% margin of error.

2.3 Data Collection

The structured online questionnaire was sent via email and through professional networking platforms. The questionnaire included three key sections:

- **Demographic Information:** Job role, tenure, industry, age and gender.
 - **Reward Systems and Job Satisfaction:** Items measuring the perceived effectiveness of monetary and nonmonetary rewards, and dimensions of job satisfaction.
 - **Employee Retention Intentions:** The probability of being with the current employer for the next two years.
- A 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) was used to measure all items.

2.4 Data Analysis

The data were analyzed using Statistical Package for the Social Sciences (SPSS) version 28. Demographic variables and overall responses were summarized by descriptive statistics. To examine relationships between reward systems, job satisfaction, and retention, inferential statistics such as correlation analysis and multiple regression analysis were used.

2.5 Ethical Considerations

All participants gave informed consent and were anonymized and confidential. Ethical guidelines for social science research were followed including approval from an institutional review board.

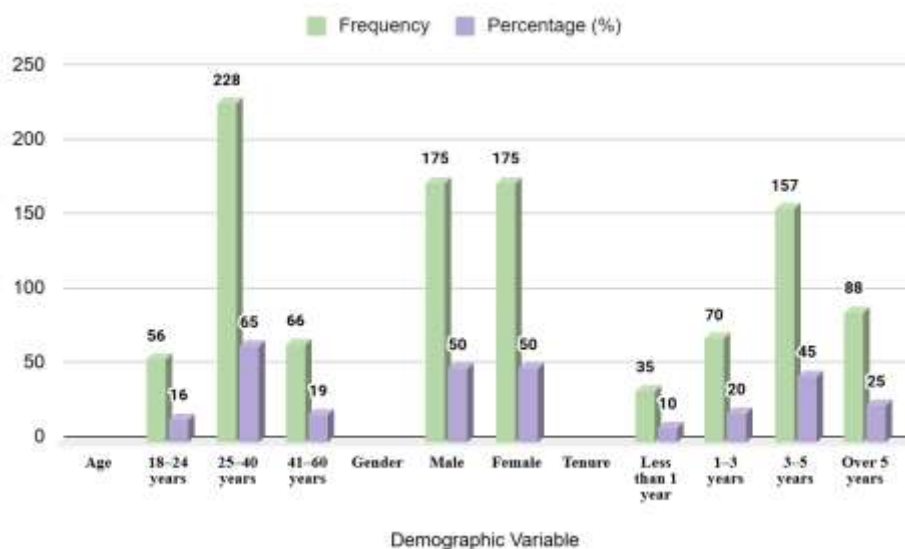
3. RESULTS

3.1 Descriptive Statistics

Table 1 summarizes the demographic characteristics of the respondents. Most of the participants were within the age range of 25–40 years, 65% of the sample, 19% were within the age range of 41–60 years, and 16% were within the age range of 18–24 years. The number of respondents was balanced, 50% were male and 50% were female. The largest group (45% of respondents) reported tenure of 3–5 years with their current employer. A large proportion (30%) had worked with their employer for more than five years, 25% were in the "over 5 years" category. 20% had a tenure of 1–3 years and 10% had less than one year of tenure with their employer. The demographics of these demographics were diverse, ranging from different ages, genders, and professional experiences to make the sample suitable for analyzing motivation and retention dynamics.

Table 1: Demographic Profile of Respondents

Demographic Variable	Frequency	Percentage (%)
Age		
18–24 years	56	16
25–40 years	228	65
41–60 years	66	19
Gender		
Male	175	50
Female	175	50
Tenure		
Less than 1 year	35	10
1–3 years	70	20
3–5 years	157	45
Over 5 years	88	25

**Figure 1:** Demographic Profile of Respondents

3.2 Correlation Analysis

Table 2 shows the significant positive correlation among the key variables. Job satisfaction was found to have a strong positive correlation with reward systems ($r = 0.68$, $p < 0.01$); the higher the perceived reward system, the higher the level of job satisfaction perceived. Further, employee retention intentions ($r = 0.73$, $p < 0.01$) were strongly positively correlated with job satisfaction as employees who were more satisfied in their jobs were more likely to express intentions to stay with their current employer. The reward systems were also moderately positively correlated with retention intentions ($r = 0.60$, $p < 0.01$), suggesting that enhanced reward systems may indirectly affect retention by enhancing job satisfaction. Putting these findings together underscores the importance of reward systems and employee retention.

Table 2: Correlation Matrix

Variables	Reward Systems	Job Satisfaction	Retention Intentions
Reward Systems	1	0.68**	0.60**
Job Satisfaction	0.68**	1	0.73**
Retention Intentions	0.60**	0.73**	1
Note: $p < 0.01$			

3.3 Regression Analysis

Table 3 shows the multiple regression analysis that revealed that together reward systems and job satisfaction accounted for 52 percent of the variance in retention intention ($R^2 = 0.52$, $F = 48.35$, $p < 0.01$). The statistically significant influence of both predictor variables on retention intentions. Results from the beta coefficients showed that retention intentions were more strongly predicted by job satisfaction ($\beta = 0.59$, $p < 0.01$) than by reward systems ($\beta = 0.42$, $p < 0.01$). This implies that there is a precedence in terms of priority as far as the enhancement of employee retention is concerned, and it is believed that enhancing job satisfaction contributes more to making employees stay longer with the company. The unstandardized coefficients (B) showed the strength of each variable's contribution to retention intentions, with job satisfaction contributing at 0.59 and reward systems, at 0.42. Overall, the model was highly significant and showed that both job satisfaction and reward systems are important in shaping employee retention.

Table 3: Regression Analysis: Predictors of Employee Retention Intentions

Predictor Variables	Unstandardized Coefficients (B)	Standard Error (SE)	Standardized Coefficients (β)	t-value	p-value
Reward Systems	0.42	0.08	0.42	5.25	<0.01
Job Satisfaction	0.59	0.07	0.59	8.43	<0.01
Constant	1.22	0.18	-	6.78	<0.01
Model Summary	$R^2 = 0.52$	$F = 48.35$	$p < 0.01$		

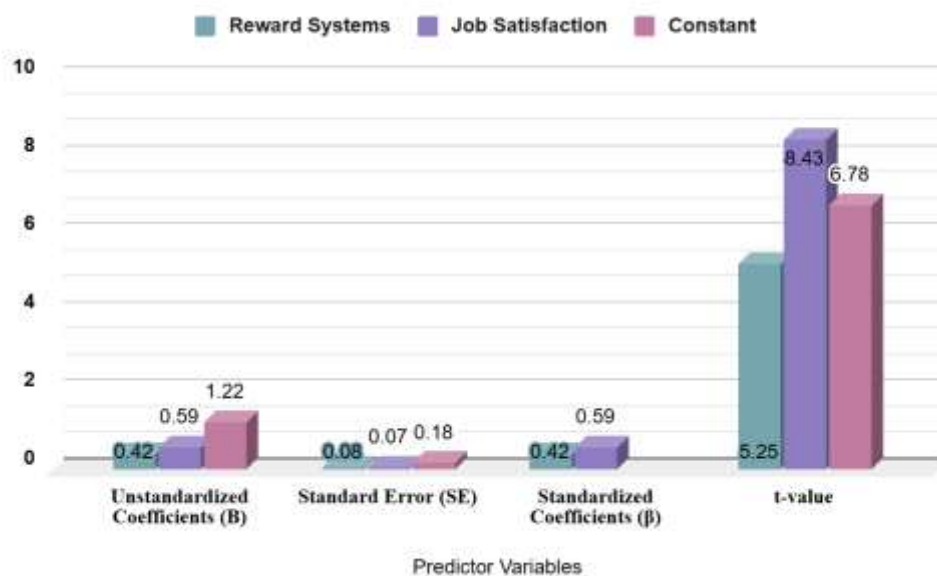


Figure 2: Regression Analysis: Predictors of Employee Retention Intentions

4. DISCUSSION

The study's findings offer a nuanced view of how reward systems and employee job satisfaction affect employee retention intentions. This is in line with existing research in that there is a positive correlation between reward systems and job satisfaction ($r = 0.68$) and that financial and nonfinancial rewards do make a difference to employees' perceived value and workplace engagement (Lawler, 1971, p. 97). As in Herzberg's Two Factor Theory (Pfeffer, 1998, p. 40), the researcher similarly found a strong correlation between job satisfaction and retention ($r = 0.73$), indicating that satisfied employees are also more likely to stay within their organization. Further regression analysis confirmed these dynamics, showing that job satisfaction ($\beta = 0.59$) was a stronger predictor of retention than reward systems ($\beta = 0.42$). That means that while good reward systems are critical to motivation, it is other factors such as meaningful work, supportive leadership, and organizational culture that lead to

sustained loyalty. These variables explain 52% of the variance in retention intentions, and as you can see the role of the Multivariate Probit models is significant, albeit partial, as there is still room for other variables such as career development opportunity, and workplace flexibility.

The results of the study support previous research that stresses the dual relevance of extrinsic and intrinsic motivators. The Self Determination Theory (SDT) suggests that intrinsic motivators are necessary to stimulate long-term engagement. This is consistent with the finding that reward systems did not have an impact on retention, but that job satisfaction, which includes intrinsic aspects such as work-life balance and leadership support, did (Adams, 1963, p. 422). The Expectancy Theory also indicates that employees continue to be motivated if they perceive rewards as both possible and valuable (Judge and Bono, 2001, p. 80). This concurs with the positive relationship observed between reward systems and job satisfaction; employees who believe rewards are fair and the same as the effort they're making are more likely to be satisfied. The gap in organizations that place too much emphasis on monetary rewards for other intrinsic motivators is quite important (Locke, 1976, p. 87). This is interesting because the weaker influence of reward systems on retention in comparison to job satisfaction contradicts findings in certain sectors, such as technology, where competitive compensation often plays a dominant role in retention (Luthans, 2021, p. 24). This may be due to sectoral differences as intrinsic motivators are more important in industries where work-life balance and organizational culture are important, healthcare and education (Maslow, 1967, p. 93).

The results show the imperative for organizations to take a holistic view of talent management. Competitive reward systems are important to attract talent but job satisfaction is equally important to keep them. Employers need to put some money into initiatives to improve the work ecosystem, including flexible scheduling, leadership development programs, and employee recognition platforms (McGregor, 1960, p. 126). Employees who feel recognized are 4.6 times more likely to stay and the value of intangible rewards. The findings indicate that one-size-fits-all reward strategies do not work. Workforce should be segmented and rewards should be tailored based on diverse preferences. To take an example, younger employees may want career growth opportunities, older employees may crave job stability with benefits including retirement plans (Judge et al., 2017, p. 356). The theoretical discourse on motivation and retention is enriched by combining classical and contemporary frameworks in the study. This evidence supports the distinction between hygiene factors and motivators, and accentuation on intrinsic drivers (Tett and Meyer, 1993, p. 259). The research bridges gaps in the literature by showing how job satisfaction mediates the relationship between external and internal variables and employee behavior. Organizational practices are tightly associated with employee well-being (Blanchflower and Oswald, 2004, p. 1359). Organizations increase the mental health and nervous health of their employees by tackling the root causes of dissatisfaction and turnover. It also means lower turnover, with less strain on labor markets and higher stability in society, for instance, in the seesaw vital sectors like healthcare and education (Armstrong, 2006, p. 51).

The study has its limitations. Second, the cross-sectional design does not allow one to infer causality. Whether changes in reward systems or job satisfaction ultimately lead to retention over time is something that needs to be confirmed with longitudinal studies. Second, the researcher used self-reported data, susceptible to social desirability bias. Employees can fudge the results, overestimating how satisfied they are or how likely they are to quit (Wright and Snell, 1998, p. 756). Reliability could be enhanced by the incorporation of some measures such as turnover rates or performance appraisals. Third, the study tended to concentrate on general industries, ignoring sector-specific dynamics. Job satisfaction is likely to be at the forefront of the retention battle in healthcare, while financial rewards might be an even more important reason to remain in the technology industry (Mowday, Steers, and Porter, 1979, p. 224). Future work examine these variations and provide recommendations tailored for each. The cultural and regional factors were not discussed explicitly (Robbins, Judge, and Vohra, 2018, p. 169). Because of workforces globalization, cultural values, and employment laws probably affect perceptions of rewards and satisfaction. A more complete picture might be obtained by expanding the study to include international samples (Wang et al., 2020, p. 128).

On this basis, several avenues of further research aimed at remedying the understanding of the dynamic relations of reward systems, job satisfaction, and employee proneness are suggested. Second, these longitudinal studies could explore the long-term lasting effects of reward systems and job satisfaction on retention that take into consideration changes in organizational policies and emerging employee expectations that evolve. Such studies

would give a more complete picture of causality and the sustainability of current practice. Second, a sector-specific analysis could delve into how the pull and push across industries change from highly satisfying but not overly rewarding to the relatively opposite where pull varies greatly while push remains relatively level or close to level. A follow-through would mean the giving out of tailored information that would enable the various sectors to adopt tailored strategies. The effects of leadership represented as a moderator in the relationship between job satisfaction and retention could also be investigated. Effective leadership plays a significant role in employee loyalty, and awareness of these dynamics may be useful in developing leadership programs. Cross-cultural studies are also warranted since the things that motivate and retain people change from one region to another and from place to place. Analyzing these variations and their implications for global workforce management could be done in the light of Hofstede's cultural dimensions framework. The final area of exploration is the integration of technology into motivation and retention practices. Employee engagement platforms and AI-driven recognition systems could be evaluated as to how well they can optimize rewards and improve job satisfaction. These future research directions suggest a path for advancing both theory of the employee retention and the practice of employee retention.

5. CONCLUSION

In the study, the relationship between reward systems employee retention, and job satisfaction was explored. The researcher found a strong positive correlation between reward systems and job satisfaction ($r = 0.68$) and job satisfaction and retention intentions ($r = 0.73$). The results of the regression analysis show that job satisfaction had a stronger effect on retention ($\beta = 0.59$) than reward systems ($\beta = 0.42$), highlighting the importance of intrinsic motivators in addition to traditional reward mechanisms. Taken together, the results suggest that reward systems can attract people to a job, but it is job satisfaction that leads to their long-term commitment. The practical and theoretical implications of these findings are also discussed. Retention strategies need to be holistic and if they are not, they must be. Organizations need to pay attention to rewards so they align with employee needs. But they also need to focus on things that make people happy in their jobs, like supportive leadership, flexible work policies, and recognition programs. The study theoretically validates existing frameworks such as Herzberg's Two Factor Theory and Deci and Ryan's Self Determination Theory, and provides a new understanding of the interplay of these concepts in modern work environments. The derived insights are used to advise organizational empowerment to shape reward channels to emphasize the alignment between the heterogeneous workforce preferences and the requisite balance among the desirable financial incentives and nonmonetary benefits. Further investing in leadership development and employee engagement platforms can build some additional inches on the satisfaction and retention results. Also, companies must have an inclusive workplace culture that caters to the intrinsic needs of the employees like autonomy competence, and relatedness. Future research should build on what is done in this dissertation by using longitudinal studies to establish causal relationships and mitigate the effects of evolving organizational and employee dynamics. Also, sector-specific studies would provide unique retention challenges-specific insights. The impact of leadership styles, cultural variations, and technology integration is further examined to refine strategies for improving retention in diverse organizational settings. Addressing these areas helps researchers and practitioners to more effectively manage the workforces of the future.

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