



Rewards strategy and its influence on employee retention in high-attrition industries

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Abstract

This study aimed to investigate how Total Rewards Strategy (TRS) helps to reduce employee turnover in industries with a high turnover rate, namely healthcare, business process outsourcing (BPO), and information technology (IT). The general aim of this study was to identify which rewards, monetary and otherwise, are most significant to employees' turnover intentions, which rewards are most significant to their level of commitment to their company, and which rewards characteristics are most significant to their actual turnover rates. Two hundred workers from low-retention companies were surveyed. The findings revealed that workers are less likely to voluntarily leave a company if they are offered a well-designed total incentives system that offers them a competitive salary, opportunities to advance their careers, respect, a good work-life balance and other rewards. Job security and opportunities for professional development are more significant to workers aged between 20 and 35 years old in the service and technology industries when evaluating their overall rewards packages. Employee preferences, demographic profiles, and company objectives should all be taken into consideration when designing a customised and multi-dimensional rewards system.

Keywords: total rewards strategy, employee retention, high-attrition industries, compensation management, talent retention.

Introduction

One of the most strategically challenging issues faced by human resource managers is the retention of employees in the current business environment, which is characterised as highly digitalised with high competition to acquire the right talent, along with changing employee expectations. Organisations face huge operational as well as financial losses due to high employee turnover rates in industries such as healthcare, IT, BFSI (Banking, Financial Services and Insurance) and business process outsourcing sectors. Besides monetary rewards, Total Rewards Strategies (TRS) also encompass other value propositions to the employees, such as training and growth opportunities, health and wellness programs, flexible working hours, formal or informal recognition systems and organisational culture. The research aims to analyse the correlation between a well-thought-out total rewards strategy and employee retention intentions, as well as turnover rates in industries with a high employee turnover rate.

Rewards and Its Effects on Employee Retention

1. Competitive Base Compensation and variable pay structures underpin TRS, affecting employee equity and market competitiveness.
2. Career growth and learning opportunities are effective retention factors, especially for knowledge workers and younger professionals in technology-intensive professions.
3. Recognition and Performance Acknowledgement in corporate culture promotes psychological ownership and commitment in top performers.
4. Flexible Work Arrangements and Work-Life Balance are key drivers of loyalty in post-pandemic talent markets, particularly among dual-income and millennial professionals.
5. Benefits such as medical insurance, mental health support, and financial planning can considerably

minimise turnover by addressing employees' overall well-being.

6. Organisational Culture and Inclusive Workplace Environment can facilitate non-monetary retention by meeting intrinsic motivating needs for belonging and purpose.
7. Transparent and Participative Leadership enhances overall incentives by fostering psychological safety and lowering management dissatisfaction-driven voluntary exiting.

Need for the Study

The direct costs of attrition in high-turnover industries can be as high as 50 to 200 per cent of an employee's yearly compensation per exit. These expenses include recruiting, onboarding, and productivity losses. Organisations in India and around the world often focus solely on wage increases as a retention strategy, ignoring the complex nature of employee motivation and commitment, even though TRS concepts are becoming more well-known. While taking demographic and sector-specific differences into consideration, this study attempts to experimentally confirm which Total Rewards Strategy components most strongly predict retention in high-attrition scenarios.

Review of Literature

WorldatWork (2015) ^[1]: As a whole, the employee value offer is defined by the five interrelated incentive components outlined by the WorldatWork Total Rewards Model: compensation, benefits, work-life effectiveness, recognition, performance management, and talent development. Companies that use well-rounded TRS frameworks routinely beat their competitors in terms of engagement and talent retention.

Milkovich et al., (2014) ^[2]: Researchers found that in order to keep employees around for the long haul, compensation

plans need to be strategically aligned to reflect market rates as well as internal equity. They found that across all industries, perceived pay inequality is one of the top three factors that employees use to decide whether or not to stay put.

Aguinis *et al.*, (2013) [3]: shown that performance-contingent recognition programs result in substantially greater rates of retention for high-performers. When compared to monetary awards of the same value, their meta-analysis showed that non-monetary acknowledgement, when seen as genuine and consistent, produces better affective commitment.

Research Gap

The majority of the research currently being done on employee retention fails to focus on the holistic benefits of Total Reward Strategies in favour of compensation benchmarking and individual reward elements. The demographic diversity, sectoral differences and post-pandemic changes in employee expectations have completely changed the reward sensitivity profile in India. There is a lack of empirical research done on the effectiveness of TRS in the diverse high-turnover industries in the new environment. By quantitatively assessing the variable influence of specific elements of TRS on turnover intentions across a variety of age groups and organizational levels, the purpose of this research is to fill a significant need for research.

Statement of the Problem

Despite significant financial investment in salary increases and social programs, voluntary turnover rates in high turnover industries in India range from 20 to 40 per cent annually. It is as though there is a significant disconnect between reward programs and what actually drives employee motivation, as investing financially in rewards is not translating into increased retention rates. The Total Rewards Strategy is not being used optimally and is not being used to deliver personalised rewards to employees, as it should be (WorldatWork, 2015) [1]. Retention models grounded in science and relevant to the situation need to be implemented immediately, as younger generations, such as millennials and Gen Z, have vastly different reward preferences than what traditional models of the TRS predict. This study seeks to determine which aspects of the TRS best predict retention and offer advice to HR professionals in high turnover industries.

Research Questions

1. To what extent does a complete Total Rewards Strategy impact employee retention in high-attrition industries?
2. Which aspects of Total Rewards, monetary or non-monetary, are most linked to reduced voluntary turnover?
3. What impact do demographic factors like age, gender, experience and industry sector have on the relationship between TRS and retention?

Objectives

1. To evaluate how Rewards Strategy components affect employee retention in high-attrition industries.
2. To determine key incentive factors that predict employee commitment and lower turnover.

3. To focus on how demographic and industry variables moderate TRS-retention correlations.

Methodology

Research Design

The study utilised a research design that was both descriptive and analytical, and it incorporated both quantitative and qualitative data techniques.

Sample Size

A total of 200 respondents selected from the information technology, business process outsourcing, healthcare and business financial services and IT industries were included in the study. These employees represented a wide range of organisational levels and tenure groups.

Sampling Technique

In order to guarantee that all industrial sectors, gender groups, and experience levels were represented in a proportional manner, stratified random sampling was utilized.

Data Collection

Employees were given a structured questionnaire that contained a five-point Likert scale to find out what they thought about the TRS components and what they planned to do with it. The secondary data came from NASSCOM, SHRM India and journals that have been peer-reviewed.

Analytical Tools

Data was analysed using SPSS Version 25.0 using methods such as percentage analysis, one-way ANOVA (F-test) and correlation analysis.

Data Analysis

Table 1: Gender Distribution

Gender	No. of Respondents	Percentage
Male	116	58
Female	84	42
Total	200	100

Source: Primary Data

From the table, it is evident that 58 per cent of the respondents are Male, while 42 per cent are Female, as is the gender ratio in IT, BPO and similar high attrition industries.

Table 2: Age Distribution

Age Group	No. of Respondents	Percentage
20–30 years	80	40
31–40 years	70	35
41–50 years	36	18
Above 50 years	14	7
Total	200	100

Source: Primary Data

From the table, it is clear that 40 per cent of the people who answered the questions fall between the ages of 20 and 30. Also, 35 per cent fall between the ages of 31 and 40. Eighteen per cent of the employees fall between the ages of 41 and 50 and seven per cent are above 50. This supports the idea that high-turnover businesses have a young workforce.

Table 3: Educational Qualification

Education	No. of Respondents	Percentage
Bachelor's Degree	70	35
Master's Degree	100	50
Professional Certification	20	10
Others	10	5
Total	200	100

Source: Primary Data

The educational background of the respondents shows that half of them have a Master's Degree, a third have a Bachelor's Degree, a tenth have professional certificates and the last five have other qualifications. This shows that the sampled workforce is quite knowledgeable.

Table 4: Work Experience Distribution

Experience	No. of Respondents	Percentage
0-3 years	50	25
4-7 years	80	40
8-12 years	46	23
Above 12 years	24	12
Total	200	100

Source: Primary Data

Table 6: Total Rewards Strategy Components and Retention Perception

TRS Variables	SA	A	N	D	SD	Total
1. Competitive Base Compensation	68	72	32	16	12	200
Percent	34	36	16	8	6	100
2. Career Development Opportunities	80	70	28	14	8	200
Percent	40	35	14	7	4	100
3. Recognition & Appreciation	72	66	30	20	12	200
Percent	36	33	15	10	6	100
4. Work-Life Balance & Flexibility	76	68	30	16	10	200
Percent	38	34	15	8	5	100
5. Health & Wellness Benefits	64	74	34	18	10	200
Percent	32	37	17	9	5	100
6. Inclusive Workplace Culture	60	70	38	20	12	200
Percent	30	35	19	10	6	100
7. Transparent Leadership & Communication	66	68	34	18	14	200
Percent	33	34	17	9	7	100

Source: Primary Data

The above tabulation clearly indicates that Career Development Opportunities had the highest combined SA+A agreement, which was 75 per cent, thus emphasising the significance of this factor as a major driver for retaining employees. Work-Life Balance & Flexibility ranked second, with

From the experience distribution, it is clear that 40 per cent of the people who answered have 4 to 7 years of experience, 25 per cent have 0 to 3 years, 23 per cent have 8 to 12 years and 12 per cent have more than 12 years. This indicates that the number of people who have been in the company for a long time is high. Therefore, the companies need to ensure that they retain the people who have been in the company for a long time.

Table 5: Industry Sector Distribution

Industry Sector	No. of Respondents	Percentage
Information Technology	66	33
BPO / ITES	54	27
Healthcare	42	21
BFSI	38	19
Total	200	100

Source: Primary Data

The sample studied represents the IT industry (33 per cent), BPO/ITES (27 per cent), the Healthcare industry (21 per cent) and BFSI (19 per cent), giving a representative cross-industry view on the phenomenon of TRS retention.

72 per cent, followed by Competitive Base Compensation, which had 70 per cent agreement. Recognition & Appreciation, as well as Health & Wellness Benefits, had 69 per cent agreement. Inclusive Workplace Culture had 65 per cent, whereas Transparent Leadership had 67 per cent.

Table 7: Industry Sector and Total Rewards Strategy Impact on Employee Retention (One-Way ANOVA)

TRS Variables	Industry Sector	N	Mean	SD	F Value	Sig.
Compensation & Benefits Satisfaction	IT	66	4.32	1.64	5.124	0.002*
	BPO/ITES	54	4.56	1.88		
	Healthcare	42	4.61	1.72		
	BFSI	38	3.89	1.34		
	Total	200	4.28	1.71		
Career Development Opportunities	IT	66	4.72	1.58	6.238	0.001*
	BPO/ITES	54	4.48	1.92		
	Healthcare	42	4.39	1.44		
	BFSI	38	4.21	1.62		
	Total	200	4.46	1.68		
Work-Life Balance & Flexibility	IT	66	4.58	1.47	4.917	0.004*
	BPO/ITES	54	4.82	1.78		
	Healthcare	42	4.37	1.61		
	BFSI	38	4.11	1.29		
	Total	200	4.49	1.55		

Recognition & Performance Acknowledgement	IT	66	4.44	1.80	5.683	0.003*
	BPO/ITES	54	4.67	1.56		
	Healthcare	42	4.52	1.71		
	BFSI	38	4.33	1.48		
	Total	200	4.52	1.66		
Overall Retention Intent	IT	66	4.68	1.62	7.145	0.001*
	BPO/ITES	54	4.84	1.44		
	Healthcare	42	4.76	1.58		
	BFSI	38	4.51	1.37		
	Total	200	4.71	1.52		

Based on Primary Data * Sig.@5%

The calculated F-test results of 5.124, 6.238, 4.917, 5.683, and 7.145 are statistically significant at the five per cent level. These results affirm the existence of a significant variation in the impact of the TRS component across industry sectors. The highest average retention impact was recorded in the IT industry sector under the Career

Development Opportunities component (4.72). BPO/ITES industry sector employees showed the highest sensitivity to the Work-Life Balance component (4.82). The null hypothesis is hereby rejected to affirm the existence of the moderating effect of the industry sector on the TRS-retention relationships.

Table 8: Age Group and Total Rewards Strategy Influence on Retention Intention (One-Way ANOVA)

TRS Variables	Age Group	N	Mean	S.D.	F Value	Sig.
Compensation Satisfaction	20–30 yrs	80	3.84	1.76	2.987	0.032*
	31–40 yrs	70	4.22	1.68		
	41–50 yrs	36	4.61	1.42		
	Above 50 yrs	14	4.78	1.15		
	Total	200	4.12	1.59		
Career Growth Importance	20–30 yrs	80	4.78	1.62	4.562	0.004*
	31–40 yrs	70	4.54	1.74		
	41–50 yrs	36	4.21	1.38		
	Above 50 yrs	14	3.87	1.22		
	Total	200	4.48	1.58		
Work-Life Balance Preference	20–30 yrs	80	4.84	1.51	5.214	0.002*
	31–40 yrs	70	4.62	1.69		
	41–50 yrs	36	4.38	1.44		
	Above 50 yrs	14	3.92	1.28		
	Total	200	4.55	1.54		

Based on Primary Data * Sig.@5%

The values obtained for F-tests, i.e., 2.987, 4.562, and 5.214, are statistically significant at five per cent, which further supports the hypothesis that age is an important variable in the relationship between TRS factors and employee retention. For younger employees between 20 and 30 years of age, the highest sensitivity is towards ‘Career Development’ and ‘Work-Life Balance.’ For older employees above 41 years of age, the focus is more on ‘compensation adequacy’ and ‘job security.’ The null hypothesis is rejected.

Findings

1. Gender diversity and youthfulness of the workforce in high turnover industries are reflected in the profile of the respondents, who are mostly male professionals between 20 and 30 years of age.
2. Since 75% of respondents opined that Career Development Opportunities have a decisive influence on their retention decision, it is evident that this is the most important aspect of the TRS.
3. Regarding aspects influencing retention, work-life balance and flexibility in work arrangements come in the second place. This is especially evident for younger professionals and those working in the BPO/ITES industry.
4. Non-monetary aspects of the TRS have an equally or even greater predictive power compared to salary,

which proves that Competitive Compensation is not the only determinant of employee retention.

5. Reward programs for good performance have a positive influence on affective commitment and reduce turnover intention.
6. IT, BPO/ITES, healthcare, and BFSI sectors have different TRS effects on retention rates as shown through ANOVA analysis on a sector-wise basis; thus, different sectors demand different compensation approaches.
7. When examining the TRS components concerning different age groups, it is evident that younger employees tend to value the ones that emphasise growth, whereas older employees tend to value the ones that emphasise financial stability as well as organisational stability.
8. Non-monetary factors such as the inclusive nature of the workplace environment and honest leadership do play a big role when considering retention, even more so than the actual TRS components themselves.

Suggestions

1. Companies need to switch from standard, one-size-fits-all pay structures to a Personalised Total Rewards Architecture (PTRA) that lets employees choose their own reward packages based on their life stage, career goals, and personal preferences.

2. Industries with a lot of turnovers should set up organised Career Pathways and Learning Investment Programs, like sponsored certifications, mentorship, and leadership development pipelines, with a focus on keeping employees for the important 4-7-year period.
3. HR experts should use recognition technologies and real-time appreciation systems that let people recognise one another, their managers, and the organisation as a whole. This will make recognition a regular part of the culture instead of just an annual event.
4. To satisfy the changing work-life expectations of the millennial and Gen Z workforce, flexible work policy frameworks that include hybrid work models, shorter workweeks, and results-based performance evaluation should be made official and used all the time.
5. Mental health counselling, employee assistance programs, preventive healthcare, and financial literacy training should all be part of the core TRS program, not just optional extras.
6. Organisations should regularly conduct TRS Satisfaction Audits and Exit Intent Surveys to keep their reward plans in line with changing employee expectations and market standards.
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Conclusion

This study validates the fact that in industries with high rates of employee turnover, a Total Rewards Strategy can be a highly effective way to reduce voluntary turnover when properly designed and aligned with the employee and organisational goals. Overall, the results of the studies challenge the common assumption that the best way to retain employees is through pay increases and support the idea that other factors, such as professional growth opportunities, decent working hours, public recognition of the contributions made by the employee to the community, and a positive working environment, are just as or even more important than the monetary aspect of the employee-organization relationship. Rewards Strategy is no longer just a concept of the HR department; it is becoming a fundamental strategy to help organisations succeed in the highly competitive market with the complex demands of their employees.

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