



Evaluating The Relationship Between Motivation And Turnover Intention And Its Impact On Compensation: A Comprehensive Review

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Abstract:

Having a fair, equitable, compensation is not enough anymore, there are numerous other factors that contribute in making the compensation that is of value to the employee. A well designed, strategically planned compensation will not only motivate employee but also increase commitment, dedication and loyalty which will reduce turnover intention. Motivated employees tend to be more engaged, productive, and loyal to the organization and plays a vital role in employee engagement, job satisfaction, and commitment towards the organization, resulting in reduced turnover rates. Any organisation exists to make profit, achieve business goals and to be sustainable for a long run. For this it needs best performing employees, who are hardworking, enthusiastic, and delivers beyond expectations. For this it is very important to have motivated individuals who are driven and inspired and is willing to stay with its organisation for a long run.

In this paper, researcher aims at evaluating the relationship between Motivation and Turnover Intention and highlighting its impact on compensation to have an improved understanding and insight on designing the compensation strategies for future. The findings highlight the importance of effective compensation strategies in enhancing motivation, reducing turnover intention, and improving overall organizational performance.

Keywords: Compensation, Motivation, Turnover Intention, employee commitment, Job Satisfaction

1. Introduction:

Compensation is a critical factor that influences employee motivation and, subsequently, turnover intention. Fair and competitive compensation practices are essential for attracting and retaining talented individuals. Adequate compensation not only meets employees' basic needs but also serves as a significant source of motivation and job satisfaction.

When employees perceive their compensation as fair and aligned with their contributions, they are more likely to be motivated and committed to the organization. Conversely, when compensation is perceived as inequitable or below market standards, employees may experience feelings of dissatisfaction and may be more inclined to entertain thoughts of turnover.

Understanding the intricate relationship between motivation, turnover intention, and compensation is crucial for organizations to develop efficient compensation strategies that contribute towards employee satisfaction, retention, and long-term success.

1.2: Literature Review:

The literature suggests a significant relationship between motivation and turnover intentions, and compensation plays a critical role in it. Employees who are more motivated, satisfied with their jobs, and have their psychological needs met are less likely to consider leaving the organization. Understanding these dynamics can help organizations implement effective motivational strategies to reduce turnover intentions and enhance employee retention.

1.2.1: Motivation:

Deci, E. L., & Ryan, R. M. (2000) Motivation can be broadly defined as the psychological processes that energize, direct, and sustain behaviour towards the attainment of goals. It involves the internal and external factors that drive individuals to engage in specific actions and persist in their efforts. Motivation is a dynamic process influenced by personal needs, goals, values, and environmental factors. **Locke, E. A., & Latham, G. P. (2004).**

1.2.2: Motivation Theories:

Maslow's theory suggests that individuals are motivated by a hierarchical arrangement of needs, ranging from basic physiological needs to higher-order needs such as self-esteem and self-actualization. According to this theory, individuals strive to fulfill their unmet needs in a sequential manner. **Maslow (1943)**

Self-Determination Theory postulates that individuals have three basic psychological needs and they are autonomy, competence, and relatedness. When these needs are satisfied, individuals experience intrinsic motivation, which arises from their innate psychological growth tendencies. **Ryan & Deci (2000).**

Expectancy theory emphasizes that motivation is influenced by the perceived link between effort, performance, and outcomes. Individuals assess the probability of achieving desired outcomes and the value they attach to those outcomes, which in turn shapes their motivation to engage in specific behaviours. **Vroom (1964)**

Herzberg's Two-Factor Theory, also known as the Motivation-Hygiene Theory, is a prominent theory in the field of organizational psychology. Proposed by Frederick Herzberg in the 1950s, this theory seeks to explain the factors that influence employee motivation and job satisfaction. The theory suggests that there are two sets of factors - motivators and hygiene factors - that affect employee attitudes and behaviours in the workplace. This literature review provides an overview of Herzberg's theory and examines relevant studies supporting and critiquing the theory. **Herzberg (1959,1968).**

Motivator factors are related to the content of the work itself and are considered intrinsic to the job. These factors have the potential to create satisfaction and motivate employees to perform at a higher level. The primary motivator factors identified by Herzberg include achievement, recognition, the work itself, responsibility, and growth opportunities.

Hygiene factors, also known as maintenance factors or dissatisfiers, are external to the work itself and are necessary for employees to feel satisfied and comfortable in the workplace. These factors do not create motivation

but can lead to dissatisfaction if they are absent or poorly managed. The key hygiene factors identified by Herzberg include company policies, supervision, working conditions, salary, interpersonal relationships, and job security.

1.2.3: Turnover Intention:

Turnover intention refers to an employee's conscious or subconscious inclination or desire to voluntarily leave their current employment. It represents the employee's contemplation or intention to disengage from the organization and seek alternative employment opportunities. **Griffeth et al. (2000)**

Turnover intention refers to an individual's contemplation or inclination to voluntarily leave an organization. It is a critical aspect of employee turnover and has significant implications for organizational effectiveness and success.

Turnover intention is a key precursor to actual turnover, and its understanding is crucial for organizations aiming to reduce employee turnover rates and enhance employee retention. **Steel & Ovalle (1984).**

Studies have shown that lower motivation and job satisfaction predict higher turnover intentions over time. Dissatisfaction with job tasks, compensation, and lack of career growth opportunities contribute to increased turnover

1.3 Compensation Factors that affect Motivation:

- **Pay Level:** Pay level refers to the amount of compensation employees receive for their work. Higher pay levels can serve as a motivating factor by meeting employees' financial needs and providing a sense of fairness and recognition for their contributions.
- **Pay Structure:** Pay structure refers to how compensation is distributed within an organization, including factors such as pay ranges, salary bands, and the relationship between job levels and pay. A well-designed pay structure that offers clear opportunities for advancement and reward differentiation can enhance motivation by providing employees with a sense of progression and fairness.
- **Performance-Based Pay:** Performance-based pay systems tie employee compensation directly to individual or team performance outcomes. Such systems can motivate employees by creating a clear link between effort, performance, and rewards, encouraging them to strive for higher levels of performance.
- **Non-Financial Rewards:** Non-financial rewards, such as recognition, career development opportunities, work-life balance, and a positive organizational culture, can also influence employee motivation. These rewards fulfill employees' needs for growth, autonomy, and a supportive work environment, enhancing their overall job satisfaction and commitment.

1.4 Compensation Factors that affect Turnover Intention:

- **Fairness and Equity:** Perceived fairness and equity in compensation play a significant role in turnover intention. When employees perceive their compensation as fair and equitable compared to their contributions and compared to others in similar roles, they are less likely to have turnover intentions.
- **Rewards and Recognition:** Recognition and rewards programs that acknowledge and appreciate employee contributions can positively impact turnover intention. When employees feel valued and rewarded for their efforts, they are more likely to have higher job satisfaction and lower turnover intentions.
- **Competitive Compensation:** Competitive compensation refers to providing salaries and benefits that are comparable or above industry standards. When employees perceive that their compensation is competitive, they are less likely to seek opportunities elsewhere, reducing turnover intention.

- **Performance-based Incentives:** Performance-based incentives, such as bonuses, commissions, or profit-sharing plans, can influence turnover intention. When employees have opportunities to earn additional rewards based on their performance, it can enhance their motivation, job satisfaction, and reduce turnover intention.

1.5: Compensation Practices to improve motivation:

- conducting regular salary reviews
- offering performance-based incentives
- Linking Compensation to Individual or Team performance
- Variable Pay, incentives, recognition, rewards tied to goal achievements
- providing opportunities for career growth, and advancement within the organisation.
- fostering a transparent and equitable compensation framework.
- Flexible Work arrangement, Work-Life balance

1.6: Compensation practices to reduce Turnover Intention:

1. competitive compensation packages act as a retention tool
2. Performance-Based Rewards and Incentives
3. Career Development and Growth Opportunities
4. Investing in employee training, mentoring programs, and professional development initiatives
5. attractive benefits and perks can be very effective
6. Recognition and Appreciation
7. Transparent and Fair compensation Packages

1.7 Compensation Strategies for enhancing motivation and reducing turnover:

1. Competitive and Market-Driven Compensation:
2. Follow updated Industry Salary Trends
3. Rewarding employee's exceptional performance to foster a sense of achievement
4. Sponsored training programs, workshops, and mentorship opportunities.
5. Formal and Informal ways of recognising contributions.
6. Benefits packages demonstrating the organization's commitment to employees' well-being.
7. Openly discuss the rationale behind compensation decisions to foster trust and fairness, reducing turnover driven by perceived inequities.
8. Long-Term Incentives like stock options, profit-sharing plans, or deferred compensation programs can encourage them to stay with the company for extended periods.
9. Regular compensation reviews to identify any gaps or areas for improvement

1.8 Significance of this study:

This study helps deepen our understanding of the complex relationship between motivation, turnover, and compensation, it provides a comprehensive analysis of the factors that influence employee motivation, the link between motivation and turnover intention, and the impact of compensation on both variables. Helps in enhanced understanding of Human Behaviour. This understanding is crucial for organizations to develop effective strategies to attract, engage, and retain talented employees.

By exploring the relationship between motivation, turnover, and compensation, the study offers practical implications for organizations to enhance employee motivation, reduce turnover intention, and improve retention rates. This can lead to improved organizational performance, increased productivity, and cost savings, as High employee turnover can be costly for organizations in terms of recruitment, training, and productivity losses.

It will help in expanding the knowledge base and contribute to the advancement of theory and practice in the field of organizational behaviour, human resource management, and employee motivation. The study contributes to the academic literature by synthesizing existing research, theories, and empirical studies on the relationship between motivation, turnover, and compensation also this academic contribution helps advance the knowledge and understanding of the topic and serves as a foundation for further scholarly investigations.

This pushes organizations to evaluate their current compensation practices and compare them against established best practices. By referencing relevant studies, organizations can gain insights into successful strategies used by other companies to effectively manage motivation, turnover, and compensation. This can inform the development and implementation of evidence-based practices that support employee retention and organizational success.

1.9 Conclusion:

Organizations that recognize the relationship between motivation, turnover intention, and compensation can strategically design and implement compensation practices that align with employee needs and market standards. organizations can create a positive work environment, enhance employee engagement, and reduce turnover rates. This, in turn, can lead to improved organizational performance, increased productivity, and a competitive advantage in attracting and retaining top talent.

Compensation plays a significant role in motivating employees and influencing their decision to stay or leave an organization. It provides valuable insights for organizations to develop effective compensation strategies. This includes aligning compensation with employee needs, market standards, and performance-based incentives, which can contribute to higher employee satisfaction, engagement, and reduced turnover.

Employees who are more motivated, satisfied with their jobs, and have their psychological needs met are less likely to consider leaving the organization. Understanding these dynamics can help organizations implement effective motivational strategies to reduce turnover intentions and enhance employee retention. organizations can create a compensation framework that fosters motivation and enhances overall employee satisfaction.

By offering competitive compensation packages, implementing performance-based rewards and incentives, providing career development opportunities, offering attractive benefits and perks, recognizing, and appreciating employees, and ensuring transparency and fairness in compensation practices, organizations can create an environment that promotes employee satisfaction and loyalty. Regular evaluation and adaptation of compensation practices based on employee feedback and market trends are crucial to maintaining their effectiveness in reducing turnover intention.

Organizations should strive to design and implement compensation strategies that ensure fairness, provide competitive compensation packages, recognize employee contributions, and align incentives with performance to reduce turnover intention and retain valuable talent.

Implementing effective compensation strategies is crucial for enhancing motivation and reducing turnover. By offering competitive and market-driven compensation, implementing performance-based pay and incentives, providing career development opportunities, recognizing, and rewarding employees, offering attractive benefits and perks, promoting work-life balance, ensuring transparent communication, conducting regular compensation reviews, and seeking employee feedback, organizations can create a compensation framework that motivates employees and reduces turnover. Continuous evaluation and adaptation of these strategies based on employee feedback and market trends are essential for their long-term effectiveness.

1.10 References:

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