

## Impact of Rewards and Recognition Systems on the Employees of the IT Sector

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### **Abstract**

In today's competitive business environment, organizations in the IT sector are increasingly focusing on effective reward and recognition systems to enhance employee performance and satisfaction. This study examines the impact of both monetary and non-monetary rewards on employee motivation, productivity, and retention. The paper highlights how recognition programs contribute to higher engagement levels among employees. The findings suggest that a well-structured reward and recognition system plays a crucial role in improving organizational performance and employee morale.

## **I. INTRODUCTION**

The Information Technology (IT) sector is one of the fastest-growing industries, characterized by high competition and rapid innovation. Employees are the backbone of this sector, and their performance directly influences organizational success. Therefore, companies are focusing on strategies that enhance employee motivation and satisfaction. One of the most effective strategies is the implementation of reward and recognition systems. Every company has its own reward and recognition system. They have their own strategy for rewarding and recognizing employees for their improved or high productivity. These are also seen as motivational tools that encourage the employees to put more efforts to achieve organizational goals. Rewards and Recognition systems have been in place since the time of Frederick Taylor who introduced the piece-wage system. There are thousands of studies on R&R systems both in India and abroad. As Griffin and Moorhead (2009) says reward and recognition system is the fundamental component of performance management system. It is a broad term that includes people, processes, rules, regulations, procedures and decision-making processes that are involved in providing benefit and compensation to employees in return for their contribution made to the organization in terms of work accomplishment.

### **Problem Background**

Motivating and satisfying employees are the most important parts of organization's development and success. It is important for employers to understand what motivates the people of the "emergent adulthood" group to increase their efforts to maximize organizational performance as people of this age group form the future leadership of the company. The reward and recognition system is designed to attract new recruits, motivate employees to increase their efforts and work to their full potential. However, it is challenging for companies to find out what motivates young employees as each one is motivated in a different way. By implementing a strategic reward and recognition system, to some extent it can help to increase employee motivation. Reward systems should be closely aligned to organizational strategies in order to achieve desired goals. Companies may use reward and recognition systems to steer their personnel, to point out what their company values.

### **Review of Literature**

Frederick Hansen, Michele Smith, and Ries B. Hansen (2002) emphasized that rewards and recognition are two distinct yet essential components of employee motivation. Their study highlighted that while rewards satisfy external needs, recognition fulfils internal psychological needs, and both must be balanced to improve employee engagement and effectiveness.

Baskar P. (2013) conducted a study on the impact of rewards and recognition on employee motivation and found a direct and positive relationship between reward systems and job satisfaction. The study revealed that employees who are appreciated perform better and contribute more effectively to organizational growth.

Reena Ali and Muhammad Shakil Ahmad (2008) examined reward and recognition programs and concluded that factors such as pay, promotion, and working conditions significantly influence employee satisfaction. Their findings confirmed that effective reward systems have a strong positive impact on employee motivation and overall performance.

S. Meena, T. Girija, and D. Visagamoorthi (2019) analyzed the influence of rewards and recognition on employee motivation and job performance using a path analysis approach. Their study concluded that recognition and rewards significantly enhance employee motivation, which in turn improves job performance and productivity.

Faiza Manzoor, Longbao Wei, and Muhammad Asif (2021) focused on intrinsic rewards and found that non-monetary rewards such as appreciation and recognition play a crucial role in improving employee performance through increased motivation. The study emphasized that intrinsic rewards are essential for long-term engagement.

Ashish Waghe, Sajeeva Mulani, and Pratiksha Dambe (2023) studied the effect of reward and recognition on employee motivation and compared monetary and non-monetary rewards. Their findings indicated that both types of rewards significantly influence employee behavior, satisfaction, and performance, with a combined approach being most effective.

Dr. Manali Rohan Patil (2025) highlighted that recognition from supervisors plays a vital role in boosting employee confidence and morale. The study found that higher levels of appreciation lead to increased happiness, productivity, and employee engagement within organizations.

Beena P., Gowda Anand Devraj, Bharath Y. N., and Aruna N. L. (2024) emphasized that reward strategies are central to employee motivation and organizational success. Their research suggested that aligning rewards with organizational goals enhances employee performance and engagement.

### **Types of Rewards and Recognition**

Reward and recognition systems in the IT sector can be broadly classified into monetary and non-monetary categories. A balanced combination of both ensures maximum employee satisfaction and performance. Monetary rewards are highly effective in boosting short-term motivation and productivity.

**Monetary Rewards:** Monetary rewards are financial benefits given to employees based on their performance, skills, or contribution.

- **Salary Increments:** Regular increases in salary based on performance appraisal motivate employees to maintain consistency in their work.
- **Performance Bonuses:** Bonuses are given for achieving targets or completing projects successfully, encouraging employees to exceed expectations.
- **Incentives:** These are short-term financial rewards linked to specific goals, such as completing a project before deadline.
- **Profit Sharing:** Employees receive a share of the company's profits, which increases their sense of ownership.
- **Stock Options (ESOPs):** Many IT companies provide shares to employees, aligning their interests with organizational growth.
- **Retention Bonuses:** Offered to retain skilled employees in competitive IT markets.

**Non-Monetary Rewards:** Non-monetary rewards focus on psychological and emotional satisfaction rather than financial gain. Non-monetary rewards create emotional attachment and long-term commitment to the organization.

- **Employee of the Month Programs:** Public recognition boosts morale and creates healthy competition.
- **Certificates and Awards:** Formal appreciation increases employee confidence and pride.
- **Public Appreciation:** Recognition in meetings or company platforms enhances visibility.
- **Career Advancement Opportunities:** Promotions and skill development programs motivate employees for long-term growth.
- **Flexible Work Hours:** Work-life balance is highly valued in the IT sector.
- **Work-from-Home Options:** Increases job satisfaction and reduces stress.
- **Training and Development:** Learning opportunities enhance employee engagement.
- **Peer Recognition Programs:** Employees recognizing each other builds a positive work culture.

#### **Impact on Employees & Outcomes**

- **Increased Motivation** - Employees feel encouraged to perform better when their efforts are acknowledged. Rewards act as a driving force that pushes employees to achieve higher goals.
- **Improved Job Satisfaction** - Recognition fulfills employees' psychological needs such as appreciation and respect, leading to higher job satisfaction.

- **Higher Productivity** - Employees tend to work more efficiently when they know their performance will be rewarded. This leads to improved output and quality of work.
- **Employee Retention** - The IT sector faces high attrition rates. Effective reward systems reduce employee turnover by increasing loyalty and commitment.
- **Enhanced Employee Engagement** - Recognition fosters emotional involvement in work. Engaged employees contribute more actively to organizational success.
- **Positive Work Culture** - A culture of appreciation promotes teamwork, collaboration, and mutual respect among employees.
- **Improved Organizational Performance** - Motivated employees contribute to innovation, efficiency, and overall business growth.
- **Reduced Absenteeism** - Employees who feel valued are more likely to attend work regularly and be punctual.
- **Encouragement of Innovation** - Rewards for creativity motivate employees to think innovatively and bring new ideas.

### **Influences of Reward and Recognition on Employees**

Human resources are the most important among all the resources an organization owns. To retain efficient and experienced workforce in an organization is very crucial in overall performance of an organization. Motivated employees can help make an organization competitively more value added and profitable. It is such a dynamic in today's environment that explicitly creates and encompasses a positive impact on job. Within an organization, the best performance is feasible with most committed employees that can only be achieved through employee motivation. Kreitner and Kinicki (2004).

Motivation depends on certain intrinsic, as well as, extrinsic factors which in collaboration results in fully committed employees. According to Broad (2007), tangible incentives are effective in increasing performance for task not done before, to encourage "thinking smarter" and to support both quality and quantity to achieve goals. Incentives, rewards and recognitions are the prime factors that impact on employee motivation. As the employees engage in their working activities purposely for own sake then they will feel intrinsic motivation in their behaviours as their activities will essentially be enjoyable and satisfactory (Vansteenkiste, 2005). The factors like incentives and rewards are the most preferred factors for employee motivation programs. As in the case of employees in the emergent adulthood in the I.T sector in Tamil Nadu. Reward and recognition play an important role in their performance and motivation as observed in everyday scenarios. Poorly designed

reward and recognition systems leads to less motivation in these youngsters thus leading to decreased loyalty to their job and also results to attrition. The decreased loyalty may also lead to poor and unethical work practices.

On the other hand, when they have sufficient promotional opportunities their relationship with co-workers is friendly, they are paid for what they work, and they find their job secured, their supervisors are cooperative and they feel that they can grow living within the organizations, then their level of motivation is very high.

**Fig 1**  
**Illustration of the influence of reward and recognition on employee performance and satisfaction**



The figure explains how the extrinsic and intrinsic rewards are linked to job satisfaction and leading to good performance. The process is cyclic. This also explains that lack of good reward and recognition system leads to less or no job satisfaction and that leads to poor job performance.

### **Challenges in Reward and Recognition Systems:**

Despite their benefits, implementing effective reward systems comes with several challenges.

- Lack of Transparency - If employees do not understand how rewards are distributed, it can lead to dissatisfaction and mistrust.
- Bias and Favouritism - Unfair practices in rewarding employees may create conflicts and reduce morale.
- Inconsistent Reward Policies - Lack of consistency in rewarding performance can confuse employees and reduce the system's effectiveness.
- Overemphasis on Monetary Rewards - Focusing only on financial incentives may neglect emotional and psychological needs.

- Delayed Recognition- Late recognition reduces the impact of appreciation and may demotivate employees.
- Inequality Among Employees - Perceived inequality in rewards can lead to dissatisfaction and reduced teamwork.
- High Cost for Organizations - Implementing reward systems, especially monetary ones, can be expensive for companies.
- Lack of Personalization - A “one-size-fits-all” approach may not satisfy all employees, as preferences differ.
- Measuring Performance Accurately - In IT roles, performance measurement can be complex, making it difficult to reward fairly.
- Resistance to Change - Employees and management may resist new reward systems due to lack of awareness or trust.

## **II. CONCLUSION**

Reward and recognition systems play a crucial role in improving employee performance in the IT sector. Both monetary and non-monetary rewards are important in motivating employees and enhancing their job satisfaction. When employees are recognized for their efforts, they feel valued and develop a stronger sense of commitment toward the organization. An effective reward system not only increases productivity and efficiency but also helps in reducing employee turnover by improving retention. Non-monetary rewards such as appreciation, career growth opportunities, and a positive work environment have a long-term impact on employee engagement. However, for these systems to be successful, organizations must ensure transparency, fairness, and timely recognition. Continuous improvement in reward strategies based on employee expectations is also essential. Overall, a well-structured reward and recognition system contributes significantly to organizational success and helps IT companies maintain a competitive advantage.

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