

A Study on the Role of Total Rewards Strategy in Employee Engagement at IBM India

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Abstract:

In today's increasingly competitive business environment, organizations can no longer rely solely on salary to keep their employees motivated and committed. Total Rewards Strategy — a comprehensive approach that combines financial and non-financial incentives — has emerged as a powerful tool for building genuine employee engagement. This paper examines the relationship between Total Rewards Strategy and employee engagement through a review of existing literature and secondary data sources published between 2019 and 2024. Drawing on studies from multiple industries and geographies, the paper explores how components such as base pay, performance bonuses, health benefits, recognition, learning opportunities, and work-life balance collectively shape the employee experience. The findings suggest that a well-designed and communicated Total Rewards framework significantly improves engagement levels, reduces turnover intentions, and strengthens organizational commitment. The paper also highlights the need for personalization and transparency in reward delivery. This study contributes to the growing conversation on strategic human resource management and provides insights useful for HR practitioners and students of management.

Keywords: *Total Rewards Strategy, Employee Engagement, Compensation and Benefits, Non-Financial Rewards, Human Resource Management*

Introduction

The world of work has changed dramatically over the past decade. Employees today carry different expectations than previous generations — they want to feel valued, grow professionally, have a life outside work, and contribute meaningfully to their organization. Against this backdrop, the traditional notion of compensation as the primary driver of employee loyalty has become increasingly inadequate. Organizations that only offer a competitive salary without addressing deeper motivational needs are finding it harder to retain their best talent (Kwon & Hein, 2013, as cited in Marin-Zapata et al., 2022).

Total Rewards Strategy refers to the sum of all investments an employer makes in its people — encompassing base pay, variable pay, benefits, learning and development, work-life programs, and recognition. When these elements are thoughtfully designed and effectively communicated, they create an environment in which employees feel

genuinely engaged — not just present (WorldatWork, 2021).

Employee engagement, on the other hand, describes the emotional and intellectual commitment an employee has toward their organization. Engaged employees go beyond the minimum expectations; they are enthusiastic, innovative, and deeply connected to organizational goals (Gallup, 2023). Research consistently shows that organizations with high engagement levels outperform competitors on productivity, customer satisfaction, and profitability.

This paper investigates how Total Rewards Strategy influences employee engagement. Using secondary research methodology — drawing on peer-reviewed journals, organizational reports, and published case studies — it synthesizes available evidence to understand which reward components matter most, why they work, and how organizations can design smarter reward systems.

Objectives of the Study

1. To Understand the impact of total rewards strategy components on employee engagement levels at IBM India.
2. To Identify key total rewards practices influencing engagement based on employee perceptions and demographic variations.

Research Methodology

This study adopts a secondary research design, which involves the systematic collection, review, and synthesis of existing data rather than gathering new primary data. Secondary research is particularly appropriate for this topic given the vast volume of academic and organizational literature already available on Total Rewards and employee engagement.

Sources consulted include peer-reviewed articles from journals such as the Journal of Human Resource Management, International Journal of Human Resource Studies, and Academy of Management Journal; reports from organizations such as Gallup, WorldatWork, SHRM (Society for Human Resource Management), Deloitte, and Mercer; and relevant graduate theses and working papers. The literature reviewed predominantly covers studies published between 2019 and 2024, ensuring currency and relevance.

A thematic synthesis approach was used to organize the findings around key reward dimensions and their relationship to engagement. Articles were screened for relevance, credibility, and recency, and conflicting findings were noted and discussed. This approach allows for a holistic understanding of the subject without the constraints of a single dataset or geographic context.

Theoretical Framework

Several motivational and behavioral theories underpin the relationship between Total Rewards and engagement. Understanding these frameworks helps explain why reward strategies work the way they do.

Maslow's Hierarchy of Needs

Maslow's (1943) classic theory proposes that human needs are organized in a hierarchy from basic physiological needs to self-actualization. In the workplace context, financial rewards such as

salary and health benefits satisfy lower-order needs, while recognition, growth opportunities, and meaningful work address higher-order needs. Total Rewards Strategy, when designed comprehensively, addresses the full spectrum of this hierarchy, which is why it tends to be more effective than pay alone (Nazir & Islam, 2020).

Self-Determination Theory

Self-Determination Theory (Deci & Ryan, 1985) distinguishes between intrinsic and extrinsic motivation. Extrinsic motivators — like pay and bonuses — have short-term effectiveness, while intrinsic motivators — such as autonomy, mastery, and purpose — drive sustained engagement. A well-rounded Total Rewards Strategy that includes career development programs and flexible work arrangements taps into intrinsic motivation, producing deeper and more lasting engagement (Marin-Zapata et al., 2022).

Social Exchange Theory

Social Exchange Theory (Blau, 1964) argues that employment is essentially a relationship built on reciprocity. When employees perceive that the organization is genuinely investing in their wellbeing through meaningful rewards, they reciprocate with higher performance and commitment. This explains why perceived reward fairness and organizational support often predict engagement outcomes more strongly than actual compensation amounts (Anitha, 2021).

Total Rewards Components and Their Impact on Engagement

Financial Rewards: Base Pay and Variable Compensation

Base pay remains the foundational element of any reward system. Employees who feel their base salary is fair and competitive report lower intent to leave and higher overall satisfaction. However, the relationship between pay and engagement is not linear — after a certain threshold, additional salary contributes diminishing returns to engagement (Gallup, 2023).

Variable pay, including performance bonuses, profit sharing, and merit increases, adds a motivational dimension by linking effort to outcomes. Studies suggest that when employees understand and trust the criteria used to award

variable pay, it boosts both engagement and performance. However, poorly designed variable schemes — those perceived as arbitrary or unattainable — can actually reduce motivation (SHRM, 2022).

Benefits: Health, Retirement, and Wellbeing

Employee benefits — particularly health insurance, retirement plans, paid leave, and mental health support — have grown significantly in importance. The COVID-19 pandemic accelerated this trend dramatically, with employees placing greater value on benefits that support their physical and psychological wellbeing (Deloitte, 2023).

Research by Mercer (2022) found that organizations with comprehensive wellbeing programs reported 21% higher engagement scores than those offering only standard benefits. Flexible health benefits that allow employees to choose packages suited to their life stage and family situation are particularly valued. Employees who feel their employer genuinely cares about their health are significantly more likely to be engaged (Towers Watson, 2023, as cited in Hossain & Islam, 2023).

Learning and Development Opportunities

Opportunities to learn and grow are consistently ranked among the top drivers of employee engagement, especially among younger workers. When organizations invest in training programs, leadership development pathways, mentoring, and educational reimbursement, employees interpret this as a signal that the organization values them long-term — not just as current contributors (LinkedIn Learning, 2023).

A study by Nazir and Islam (2020) found a strong positive correlation between perceived career development support and engagement across manufacturing and service sectors. Employees who could see a clear growth path within their organization were 2.5 times more likely to be highly engaged compared to those who felt stuck in their current roles.

Recognition and Appreciation

Recognition — the act of acknowledging employee contributions, both formally and informally — is one of the most cost-effective levers of engagement. Gallup's State of the Global Workplace (2023) report revealed that employees who do not feel adequately recognized are twice as

likely to say they will leave their job within the next year.

Effective recognition programs go beyond annual award ceremonies. Day-to-day acknowledgement from managers, peer-to-peer appreciation platforms, and public recognition of team achievements all contribute to a culture where employees feel seen and valued. Importantly, the specificity of recognition matters — praise that clearly identifies the behavior being appreciated has more lasting impact than generic commendation (Hossain & Islam, 2023).

Work-Life Balance and Flexibility

Work-life balance provisions — including remote work options, flexible scheduling, generous leave policies, and childcare support — have become central to the Total Rewards conversation. Following the pandemic-era normalization of remote work, employees now view flexibility not as a perk but as a fundamental expectation (Deloitte, 2023).

Research by SHRM (2022) found that employees with access to flexible work arrangements reported 30% higher engagement levels than those without. Moreover, organizations that actively support work-life balance experience lower burnout rates, fewer sick days, and higher retention — all of which feed back into higher engagement (Marin-Zapata et al., 2022).

The Role of Communication in Reward Effectiveness

One of the most underappreciated aspects of Total Rewards Strategy is communication. Many organizations invest substantially in reward programs only to see limited engagement impact because employees are unaware of or do not fully understand what is on offer. Research by WorldatWork (2021) found that fewer than half of employees could accurately describe their total rewards package.

Clear, transparent, and personalized communication about rewards can significantly amplify their effectiveness. Total Rewards Statements — documents that summarize the full monetary and non-monetary value of what an employee receives — help employees appreciate the true depth of their compensation package. When employees recognize the full value of their

rewards, their engagement and loyalty tend to increase substantially (Anitha, 2021).

Organizations that use digital platforms, regular town halls, and manager conversations to discuss rewards consistently report stronger engagement outcomes. Personalization is also key — communications that speak to the specific needs and life circumstances of different employee segments (e.g., millennials, working parents, senior professionals) are far more impactful than one-size-fits-all messages.

Challenges in Implementing Total Rewards Strategy

Despite the clear theoretical and empirical support for Total Rewards, organizations face several practical challenges in implementation. Budget constraints are a common barrier — smaller organizations in particular struggle to offer comprehensive benefit packages alongside competitive base pay. However, research suggests that creative non-financial rewards like recognition, flexibility, and meaningful work can partially offset the impact of financial limitations (SHRM, 2022).

Equity and fairness concerns present another significant challenge. When reward distribution is perceived as unfair — particularly along lines of gender, ethnicity, or tenure — it can undermine engagement even in organizations that offer generous packages overall. Transparent pay structures and equitable access to development opportunities are essential to maintaining trust (Hossain & Islam, 2023).

Generational diversity in the workforce means that different employee groups value different rewards. Younger employees tend to prioritize learning, flexibility, and purpose, while mid-career employees often place higher value on financial security and career advancement. Designing reward systems that can flex to meet diverse needs without becoming administratively unwieldy is a genuine challenge for HR teams (Nazir & Islam, 2020).

Finally, measuring the return on investment of Total Rewards programs remains difficult. While the link between engagement and business outcomes is well-established, isolating the specific contribution of reward programs — separate from other management practices — is methodologically

complex. Organizations that invest in HR analytics capabilities are better positioned to understand what works and optimize their reward spend accordingly (Deloitte, 2023)

Key Findings and Discussion

The synthesis of secondary literature points to several consistent and important findings. First, Total Rewards Strategy, when implemented holistically, is positively associated with higher levels of employee engagement. No single reward element is sufficient on its own — it is the combination and alignment of multiple components that creates a compelling employee value proposition (WorldatWork, 2021).

Second, non-financial rewards have grown in relative importance over the past decade. While competitive pay remains a hygiene factor — its absence causes dissatisfaction, but its presence alone does not guarantee engagement — elements like recognition, growth, flexibility, and meaningful work have emerged as the real differentiators of engagement in modern organizations (Gallup, 2023).

Third, the perception of fairness and transparency mediates the relationship between rewards and engagement. Employees who believe the reward system is just and clearly communicated are more engaged even if the absolute level of rewards is not exceptional. This finding reinforces the importance of organizational culture and leadership behavior alongside formal reward programs (Anitha, 2021). Fourth, personalization of rewards is increasingly recognized as a driver of effectiveness. Standardized reward packages that ignore individual differences in demographics, life stage, and personal values tend to underperform compared to flexible systems that allow some degree of individual choice.

Fifth, there is a virtuous cycle between engagement and organizational performance. Engaged employees are more productive, more innovative, and less likely to leave, which reduces recruitment and training costs and improves customer outcomes. These performance gains, in turn, create the financial headroom to invest further in rewards — reinforcing the cycle (LinkedIn Learning, 2023).

Implications and Recommendations

For HR practitioners, the findings of this study suggest several practical directions. Organizations should conduct regular reward audits to assess whether existing programs are meeting the needs of different employee segments, and gather employee feedback through surveys and focus groups to understand which reward elements are most valued. Communication strategies should be strengthened through personalized Total Rewards Statements and manager-led conversations. Equity audits should be embedded in the reward review process to address fairness concerns proactively. Investment in learning and development should be treated not just as a training expense but as a strategic engagement lever, particularly for high-potential employees who seek growth and career advancement.

For graduating students entering the workforce, understanding Total Rewards Strategy is equally valuable. When evaluating job offers, it is worth looking beyond the base salary figure to assess the full rewards package — including growth opportunities, culture, flexibility, and benefits. Organizations that articulate a strong Total Rewards proposition are often also the ones most invested in their people's long-term success.

Conclusion

This paper set out to examine the role of Total Rewards Strategy in shaping employee engagement, drawing on an extensive review of recent literature. The evidence is clear and consistent: Total Rewards, when designed thoughtfully and communicated effectively, has a meaningful and positive impact on how engaged employees feel in their work and toward their organization.

The days when a salary increase alone could retain talent are well behind us. Today's employees want to feel that their employer cares about them as whole people — their health, their growth, their time with family, and their sense of purpose at work. Total Rewards Strategy, at its best, is the organizational response to this human need.

As organizations continue to navigate a turbulent labor market, those that invest in genuine, well-communicated, and personalized reward strategies will be better positioned to attract, retain, and engage the talent they need to thrive. Future

research using primary data collection across specific industries in the Indian context would add valuable depth to the findings presented here.

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