

# Total rewards to enhance employees' intention to stay: does perception of justice play any role?

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## Abstract

**Purpose** – The purpose of this paper is to explore how total rewards might influence intention to stay among employees of private sector banks in India. A moderated-mediation mechanism is hypothesized, in which a system of total rewards leads to intention to stay via engagement and organizational justice (OJ) moderates the linkage of total rewards with engagement.

**Design/methodology/approach** – Perception of employees about the constructs considered has been assessed by a survey, using a structured questionnaire. Employees of private banks located in the State of Uttar Pradesh were the population for this study. A total of 17 branches of 7 private banks were covered, and the number of valid responses was 761. Hypotheses testing has been done with SPSS PROCESS command.

**Findings** – Hypotheses proposing mediation (engagement as mediator between total rewards and intention to stay), moderation (OJ as moderator between total rewards and engagement) and moderated mediation have found support.

**Practical implications** – Results obtained direct us to infer that in addition to the amount or value of any reward, aspects of OJ, such as equity and fairness in allocation of such reward and transparency in the procedure followed, are likely to influence the effectiveness of total rewards practices in engaging employees and motivating them to stay with their present employer.

**Originality/value** – This study adds to total rewards literature by highlighting how a total rewards system can lead to engagement, and consequently to employees' intention to stay. Results establish OJ as an important attribute to any total rewards package to make the latter more valuable and effective.

**Keywords** Engagement, Justice, Indian private sector banks, Intention to stay, Total rewards

**Paper type** Research paper

## Introduction

The decision taken by any employee regarding whether to quit his/her organization or continue with it is influenced by several factors. Eliciting commitment from employees and retaining them both are critical issues (Chew and Chan, 2008). Organizations are continuously designing and introducing innovative HR practices to deal with such challenges.

Compensation as a high-performance work practice (HPWP) reduces the level of voluntary turnover (Selden and Sowa, 2015). Rewards and recognition practices feature as an integral component of compensation. Rewards are considered to be more appropriate for employee behaviors that exhibit adherence to rules (Hansen *et al.*, 2002). If designed appropriately, reward systems can lead to challenges, fulfillment and satisfaction or otherwise to mistrust, perceived inequity and uncertainty (Ganster *et al.*, 2011). Recognition, on the other hand, is directed to bring out intrinsically motivated behaviors like commitment, innovativeness and initiatives (Hansen *et al.*, 2002). Rewards and recognition together serve as an organizational strategy that not only is wide in scope, but also leads to work-related outcomes. Organizations are hence adopting unconventional and creative methods to restructure their rewards and recognition programs for engaging and retaining their workforce. The total rewards system is viewed as a promising way of enriching rewards and recognition practices to support employee well-being and boost organizational effectiveness (Jiang *et al.*, 2009; Hulkko-Nyman *et al.*, 2012).



A high-performance work system (HPWS) integrates performance-based practices that link the exchange–effort relationship of employees to positive work-related outcomes (Heffernan and Dundon, 2016). Compensation as an HPWP is inextricably connected with fairness or justice. “Rewards are a key ingredient of fairness perceptions as they impact multiple types of justice” (Jackson *et al.*, 2012, p. 647). Perception of equity is related to some key HPWS outcomes like pay satisfaction, commitment (Tekleab *et al.*, 2005) and intention to stay as a job attitude (Roberts *et al.*, 1999; cf. Chew and Chan, 2008). On the contrary, perceived inequity might increase employee turnover (Kenny and McIntyre, 2005).

Considering the significance of organizational justice (OJ) in determining the effectiveness of HR practices, this paper aims to answer how total rewards might influence intention to stay among employees, by exploring the intervening roles played by OJ and engagement. Overall, a moderated-mediation mechanism is hypothesized, in which OJ moderates the interconnection of total rewards with engagement, which further influences employees’ intention to stay with their present employer. This model has been empirically tested on private sector bank employees in India.

Several agencies (including WorldatWork and Corporate Leadership Council) consider total rewards to be useful in facing the critical challenges of motivating, engaging and retaining employees. However, empirical research does not provide sufficient instances of the linkage total rewards might have with work/organizational outcomes like employees’ intention to stay. Peluso *et al.* (2017) point out a dearth of studies on the association of “adoption of a total reward system (TRS) and employee-related outcomes” (p. 311). Our paper addresses this gap and adds the component of OJ to total rewards for engaging employees at work and thus positively influencing their intention to stay.

The premises of our research model assume that OJ might play a crucial role in the effective implementation of several HR practices. The essence of our study lies in the positioning of OJ as a moderator in the proposed mechanism. Empirically validating this moderation is believed to be a significant contribution to justice literature which has mostly concentrated on the direct impact of OJ on engagement and employee retention (e.g. Ghosh *et al.*, 2014; Nakra, 2014). An exception, however, is Oh (2018), who has established justice as a moderator between HR practices and individual outcomes.

Our proposed moderated-mediation mechanism is expected to serve a few purposes. First, it would explain how to enhance intention to stay among employees through engaging them, thus establishing engagement as a key to retain employees. Second, it would highlight the role of OJ in the mediation path of engagement with its antecedents and consequences. The mechanism as a whole would suggest a likely way in which the constructs of the study might influence each other. Furthermore, considering fairness to be quintessential in any HR policy and practice, our findings might also be of use in modeling HR policies.

We have elaborated on the rationale for the context of this study in the very next section. After this we have presented the theoretical background of the paper, containing the concepts of total rewards, engagement, OJ and intention to stay. The rationale for development of hypotheses is built from linkages among these constructs. Research methodology, testing of hypotheses and results feature next, after which, practical implications of the results obtained have been discussed. Study limitations, together with scope for research in the future, are detailed at the end.

### Rationale for context of research

Private sector banks have populated the Indian economy since the past three decades, offering competitive pay structures, innovative products and services and delivery processes that are supported by technology. These banks are aggressively increasing their presence by capturing share in saving deposits. However, such share is smaller in

comparison to that of their public sector peers, which control more than 70 percent of assets of the banking system (IBEF, 2018).

Boston Consulting Group (2017) research shows that corporate banks in India annually lose 10–15 percent of their gross revenues to attrition; controlling even a portion of this loss could improve revenues dramatically. Considering the urgency to expand business and grasp market share, private banks need to focus on their “people” factor. A report by McKinsey recommends Indian banks to conduct recruitment of individuals having core and specialist skills and also to check employee attrition, particularly at the junior level (IBEF, 2013). Private sector banks stand at an advantage over their public sector counterparts as they have earlier poached talent from the latter and are also not constrained regarding competing for talent (Rajan, 2014). Strategically deploying human resource may thus give an edge to private banks over public sector banks.

Given such circumstances, our study finds relevance as engaging existing employees at work and thus increasing their intention to stay could be the first step private banks can take toward strengthening their workforce. Although attrition cannot be arrested entirely as it depends on several uncontrollable and unpredictable factors, controlling voluntary turnover through engagement might bring the following advantages to private banks: first, employees with longer tenure would be able to gain both core and specialist skills to meet the rapidly changing demands of the environment. Second, this might assist private banks in succession planning by creating an optimal balance between new talent and experienced staff. This could also help in building leadership for the next generation of bankers.

### **Theoretical background and hypotheses development**

This section presents a review of past studies on the association between the constructs we have selected. Identification of such association is expected to help us in identifying potential research gaps and in proposing a unique mechanism of strengthening intention among employees to stay with their present employer.

#### *Total rewards*

Total rewards include a continuum of components ranging from tangible items to non-monetary intangible ones (Thompson, 2002). Manus and Graham (2003) classify these rewards as indirect and direct, and as intrinsic and extrinsic. Total rewards “are more personal or tailored to the individual (such as salary and development planning), as well as those that are provided in a similar way to everyone (such as many benefits programs)” (Roberts, 2013, p. 70). They represent a rewards strategy that integrates components like learning and development and features of the work environment with packages of benefits (Armstrong and Brown, 2001).

WorldatWork (2006) is recognized as one of the pioneers of this concept. It has introduced a total rewards strategy to change employee behavior, individual performance and overall organizational results positively. This model includes remuneration, benefits, career and development opportunities, performance and recognition and work life. An alternative perspective of total rewards by the Corporate Leadership Council (2005) has a philosophical orientation, by combining base pay, bonus and incentives, leave benefits, health and wellness benefits, family friendly benefits and retirement benefits. Another model by Armstrong and Brown (2006) has added work experience to the WorldatWork (2006) model. Furthermore, in 2007, the Corporate Leadership Council added performance management and work-life benefits in its original model. Nienaber’s (2010) Rewards Preference Model describes total rewards with the components of base pay, contingency pay, quality working environment, integration between work and home and management of performance and career benefits.

Considering the significance of attracting, engaging and retaining employees, Prouska *et al.* (2016, p. 1263) argue that a total rewards system offers “a value proposition which embraces people’s values regarding employment relationships.” The practice of total rewards improves the effectiveness of rewards and recognition programs as a whole. When compared to a single reward system, total rewards have a more significant influence on an individual employee and organization (Armstrong and Stephens, 2005) and are more appealing than the latter because they are more flexible in meeting individual needs (Hulkko-Nyman *et al.*, 2012).

### *Engagement*

Engagement is considered to be an employee’s psychological presence at work (Rothbard, 2001). It is “a positive work-related psychological state characterized by a genuine willingness to contribute to organizational success” (Albrecht, 2010, p. 5). Burnout scholars construe engagement as the positive antithesis to burnout and conceptualize it to consist of involvement, high level of energy and efficacy (Leiter and Maslach, 2001). This school of thought describes engagement as “a persistent, positive affective-motivational state of fulfillment in employees that is characterized by high levels of activation and pleasure” (Maslach *et al.*, 2001, p. 417).

In this paper, we have used the concept of work engagement, which, according to Schaufeli *et al.* (2002), is “a positive, fulfilling, work-related state of mind” (p. 74). These authors have portrayed work engagement to comprise vigor, dedication and absorption as its three dimensions. Among all conceptualizations of engagement till date, work engagement has been the most frequently validated across various contexts and countries (Yalabik *et al.*, 2017).

### *Intention to stay*

There is ample scholarly evidence of an increasing trend to examine employees’ intention to quit or to stay with their employer, rather than actual employee turnover. Griffeth *et al.* (2000) confirm through a meta-analysis that actual turnover is strongly predicted by turnover intention. These authors consider the turnover intention of an employee as “conscious and volitional willingness to quit his/her organization.” As per Tett and Meyer (1993), turnover intention is an employee’s “conscious and deliberate willfulness to leave the organization” (p. 262).

There are several theoretical models and empirical studies offering prudent insights on why an employee intends to leave or stay with his/her organization. Sager (1991) interprets intention to quit as a construct that helps differentiate stayers from leavers. Mobley *et al.* (1978) explain that employees undergo a psychological process, following which, they decide whether they should quit or continue working in their organization. The perception among employees about HRM activities including rewards influences their turnover intention; further, this relation has been found to be mediated by job embeddedness (Tian *et al.*, 2016).

### *Organizational justice*

Treating employees in a just and fair way is referred to as OJ (Greenberg, 1990). Though OJ has been established to have distributive, procedural, interactional (comprising interpersonal and informational justice) and systemic justice as its components, we have considered procedural and distributive justice as the two most popularly researched dimensions of justice here.

Rooted in Adams’ (1965) equity theory, distributive justice refers to the concern employees have toward the distribution of rewards/outcomes and resources (Cropanzano and Folger, 1989; Greenberg, 1990). As per this theory, an employee perceives an injustice if

any reward he/she receives from the organization falls short of his/her expectations (Huong *et al.*, 2016). Employees also compare their rewards-expectations ratio with corresponding ratios of other employees to rationalize such fairness and equity. On the other hand, procedural justice refers to “fairness in issues concerning the methods, mechanism and processes used to determine outcomes” (Folger and Cropanzano, 1998, p. 28).

Distributive and procedural justice are considered to be of greater importance than the other justice dimensions in the effective implementation of total rewards in any organization. Hence, only these two dimensions have been taken in this study. We have combined both under a single construct based on several reasons. First of all, many scholars argue that distributive justice emerges from procedural justice and hence they are related constructs. Some other authors (e.g. Malinen *et al.*, 2013) have similarly clubbed them in the past. Combining the two also rests on the assumption that any satisfaction/dissatisfaction from either procedural or distributive justice is likely to affect engagement and intention to stay similarly. Hence, analyzing the role of each dimension might produce the same results.

#### *Linkage between total rewards, engagement and intention to stay*

The exact relation between total rewards and employees’ intention to stay is yet to be explored extensively, though some authors have tested similar linkages and thus have concluded about a positive association between them. Rumpel and Medcof (2006), for example, have highlighted the importance of total rewards in attracting, motivating and retaining technology workers. Responses from 1,092 employees have led Peluso *et al.* (2017) to confirm the positive impact of a total rewards strategy (that includes base pay, positive work environment and training and development opportunities) on affective commitment, job satisfaction and innovative behavior at the workplace.

Survey data on service sector employees in India have driven Lange *et al.* (2010) to establish both intrinsic factors (like growth opportunities and responsibility) and extrinsic job rewards (e.g. work environment and relative pay) as significant predictors of job satisfaction. Apart from extrinsic rewards, competitive rewards (Ma and Trigo, 2008) significantly and positively influence intention to stay. Bachkirov (2018) argues that employees plan to continue working with their current employer because of positive work experiences; remuneration package is considered to be a vital factor in the valence of such work experiences. Results of a study spanning 457 employees by Chew and Chan (2008) have established intention to stay to be related to recognition and remuneration.

Furthermore, WorldatWork (2010) has concluded about positive correlation between total rewards and retention by surveying 633 professional accounting college students. Recently Akhtar *et al.* (2015) have confirmed the instrumentality of total rewards in retaining faculty of higher education institutions of Pakistan. Based on these academic instances, it is hypothesized that:

*H1. Total rewards positively influence intention to stay among employees.*

A positive relation between total rewards and engagement could be assumed based on the motivation-inducement potential of the former. Hultko-Nyman *et al.* (2012) opine that association of total rewards with engagement is less researched; these authors have studied employees of elder-care organizations in Finland and Italy and reported that a total rewards system significantly explains the dimensions of work engagement. Based on a survey by WorldatWork (2010) have also confirmed that total rewards structures, programs and policies positively influence engagement. Similarly, Sarti *et al.* (2010) have empirically proved the positive association between total rewards and engagement in the context of employees working with people-care organizations of Tuscany.

Gulyani and Sharma (2018) have used a sample of 201 employees to examine how monetary, non-monetary and material components of total rewards affect the happiness of employees working with technology-based new ventures in India. Perception regarding total rewards was found to influence work engagement and happiness at work significantly. Furthermore, work engagement fully mediated the proposed relation. Maden (2015) has considered fair rewards and recognition among five selected high-involvement HR practices to test their impact on proactivity of employees. Empirical testing of responses from a sample of 240 Turkish employees has led the author to state work engagement as a “latent mechanism.” Hotz (2015) has confirmed that total rewards significantly predict work engagement among South African employees. In a study of public sector bank employees in India, Ghosh, Rai, Ragini and Singh (2016) have established that the influence of reward systems on job satisfaction is partially mediated by work engagement.

Such outcomes reported by previous scholars have directed us to frame the following hypothesis:

*H2. Total rewards positively influence engagement.*

Engagement is found to correlate with positive organizational outcomes like lower turnover intention (Harter *et al.*, 2002), lesser costs, higher growth and lower absenteeism. Since it is a positive emotional state, engagement is likely to influence intention to stay. Engagement has been linked with employee turnover, including intention to quit or stay, in several earlier studies. The celebrated model of Saks (2006) has established that engagement and intention to quit are inversely related. Koyuncu *et al.* (2006) argue that engagement negatively predicts intention to quit among women managers in Turkish banks.

Mitchell *et al.* (2011) posit that whether an employee chooses to stay or quit depends on the level to which he/she is embedded in the organization. Following Schaufeli *et al.* (2002), we may extend the argument by Mitchell *et al.* (2011) that decision to stay/leave could depend on the level of engagement of an employee. A meta-analysis by Halbesleben (2010) has demonstrated that engagement has a high negative correlation with turnover intention. Based on such findings reported by past researchers, the following hypothesis has been framed:

*H3. Engagement is positively related with intention to stay among employees.*

Support from extant literature on possible associations between total rewards, engagement and intention to stay has directed us to frame a mediation hypothesis with engagement mediating the impact of total rewards on intention to stay. The proposed mediation relies on the celebrated job demands-resources model (Bakker and Demerouti, 2007), which postulates that the relation between job resources and positive individual and organizational outcomes is mediated by engagement. Some authors (e.g. Saks, 2006) have assumed similar linkages, but they have mainly used rewards and recognition instead of total rewards. However, WorldatWork (2010) has found that engaging employees using total rewards decreases turnover.

Combining *H1–H3* we propose our fourth hypothesis as:

*H4. The relation between total rewards and intention to stay among employees is mediated by engagement.*

#### *Moderating role of organizational justice*

Literature has several instances of the relation between rewards and justice. For example, Tremblay *et al.* (2013) have proved that contingent financial and social rewards are positively correlated with fairness and satisfaction. Similarly, Sweeney (1990) has explained the relation of distributive justice with pay satisfaction by using equity theory. Roberts *et al.* (1999) pinpoint perception of equity in compensation to be significant in the relation

between pay and job attitudes like intention to stay (cf. Chew and Chan, 2008). A reward system is construed as a hygiene factor by de Waal and Jansen (2013), who suggest that a reward system must be looked upon as equitable and fair. Ramlall (2003) has highlighted a lack of internal and external equity and not being paid at the same level or more than the market rate as oft-cited reasons for quitting an organization. In similar lines, Ghosh *et al.* (2013) suggest that a compensation package equal to the market rate is an essential consideration for employees who are planning to quit their organization.

Unfair decisions in any work environment negatively affect engagement and retention of managers (Agarwal, 2014). OJ leads to employee well-being, while poor well-being could bring adverse outcomes like increased employee turnover (Huong *et al.*, 2016). Procedural justice has been established by Malinen *et al.* (2013) as a significant predictor of organizational engagement. Employees are influenced by their perception of equity to determine whether they must reciprocate their organization positively or not (Addae *et al.*, 2006). Perceived justice in the distribution of rewards and procedures therein boosts the morale of employees, which could drive them to reciprocate with behaviors desired by the organization (such as engagement in job). Since perceived OJ could augment the value of any reward system, it might positively moderate the association of total rewards with engagement. This interpretation leads us to frame our next hypothesis as:

- H5. The positive association between total rewards and engagement is moderated by OJ, such that it would be stronger for a higher degree of OJ.

#### *Moderated-mediation model*

Literature provides only a few academic instances (e.g. Carrell and Dittrich, 1976) that have exhibited the inverse relation of compensation fairness with turnover intention. It is observed by Greenberg (1990) that turnover studies have largely neglected the value of fairness in organizational rules and procedures related to the allocation of rewards. Aquino *et al.* (1997), however, have examined how the perception of justice among employees prompts their withdrawal; findings of this study align with the argument of Martin (1981) that turnover of employees depends on their feeling of relative deprivation.

Impact of OJ on engagement, on the other hand, has been established by several authors in the past. For instance, Agarwal (2014) has studied a sample of 323 Indian managers to prove that procedural justice, interactional justice and psychological contract (as a broader form of distributive justice) positively affect work engagement through trust as a mediator. Ghosh *et al.* (2014) have confirmed about the interrelation between procedural, distributive and interactional justice in their study of employees working with Indian public sector banks.

Summing up inferences drawn from past studies, we posit that perception employees have about OJ could enhance the motivational potential of total rewards, which might engage employees at work, ultimately inducing them to stay. Conversely, perceived unfairness or injustice in any total rewards practice is likely to diminish its effectiveness in engaging employees, driving them to quit their organization. The following hypothesis has been framed in line with this argument:

- H6. Engagement would have a stronger mediating effect on the relation between total rewards and intention to stay when OJ is perceived to be high rather than low.

Combining all hypotheses, our research model can be depicted as follows (see Figure 1).

## **Method**

### *Sample and procedure*

Perception of private bank employees about the constructs considered has been assessed by a survey, using a structured questionnaire. The first section of the questionnaire sought

demographic details from the respondents and the second section had scales related to the constructs. All these scales have been described in the next sub-section.

Several measures were adopted while preparing the questionnaire to avoid common method variance. The cover letter appended with the questionnaire clearly stated about the anonymity and confidentiality of responses obtained. The data collected were declared to be used for academic purpose only.

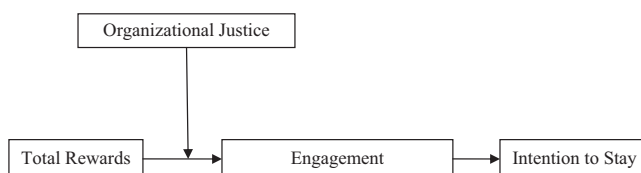
We designed the arrangement of items in such a way that there would be a mix of positive and negative items. Some positive items were changed into their negative versions (e.g. "Overall, the rewards I receive here are quite unfair" and "Job decisions are made by my supervisor in a biased manner") to ensure proper balance. Before finalizing the questionnaire, we have randomly shuffled all items. Some of them were reworded to make them pertinent to private banks.

Employees of private banks located in the State of Uttar Pradesh were decided to be the population for this research for the reason of convenience. A list of all private banks in the State was drawn first and details of branches of each bank were obtained thereafter. All these branches were contacted, with a note mentioning the affiliation of the researchers and the study objectives. Branch managers who had responded on a positive note were mailed the questionnaire and cover letter, requesting to conduct the survey. A total of 17 branches of 7 private banks were thus covered, and the questionnaire was distributed to 857 employees. Rejecting 96 filled questionnaires with some missing data, the final number of valid responses was 761. The survey was completed in around two months.

Demographic data (refer to Table I) show majority of respondents to be male (55 percent), belonging to the age category "less than 30 years" (45.5 percent) and having worked with their respective employers for the past one to three years (35 percent).

### Measures

All constructs were measured on a five-point Likert-type scale anchored with 1 (strongly disagree) and 5 (strongly agree).



**Figure 1.**  
Research model

	Percent
<i>Gender</i>	
Male	55.0
Female	45.0
<i>Age (in years)</i>	
Less than 30	45.5
30–45	35.5
More than 45	19.0
<i>Tenure of employment with bank (in years)</i>	
Less than 1	14.0
1–3	35.0
4–6	30.5
More than 6	20.5

**Table I.**  
Respondent  
demographics



*Total rewards.* This construct has been measured with the ten-item Total Rewards Scale (TRS) by Hulkko-Nyman *et al.* (2012), that includes items related to monetary, material and non-monetary rewards. Sample items are “I am satisfied with my pay structure” (monetary rewards), “I am satisfied with development opportunities at my bank” (material rewards), “Work is appreciated at my bank” (non-monetary rewards). This scale has been validated in engagement literature (Hulkko-Nyman *et al.*, 2012) with values of Cronbach’s  $\alpha$  ranging between 0.67 and 0.82.

*Engagement.* Engagement was measured with the nine-item version of the Utrecht Work Engagement Scale (UWES) developed by Schaufeli *et al.* (2006). Anchors have been designed on agreement, in place of the original anchors that were frequency based. Examples include: “At work I feel bursting with energy” (vigor); “I am proud of the work I do” (dedication); and “I am immersed in my work” (absorption). UWES finds extensive application in engagement-related studies, with reliabilities recorded at 0.736 (Ghosh *et al.*, 2014) and 0.815 (Rai *et al.*, 2016).

*Organizational justice.* Items from the scale given by Niehoff and Moorman (1993) were adopted for this construct. Of the 11 items in the scale, 5 measure distributive justice; sample items include: “I am fairly rewarded considering my responsibilities” and “I am fairly rewarded for the work I have done well.” The rest six items assess the fairness of procedures and include: “My organization has formal procedures designed to provide opportunities to appeal or challenge decisions” and “My organization has formal procedures designed to let all sides affected by a decision be represented.” Both parts of the scale have been validated by Biswas *et al.* (2013) with high reliabilities ( $\alpha = 0.80$  for distributive justice and  $\alpha = 0.84$  for procedural justice).

*Intention to stay.* The four-item scale adopted by Daly and Dee (2006) was used for this construct. A sample item is “I plan to stay in this bank as long as possible.” Daly and Dee report high reliability of the scale at 0.76.

Results

Significant correlation of total rewards is found with engagement (0.529), OJ (0.581,  $p < 0.01$ ) and intention to stay (0.618) at  $p < 0.01$  (see Table II). Engagement is significantly correlated with OJ (0.521,  $p < 0.01$ ) and intention to stay (0.468,  $p < 0.01$ ). Significant correlation is also found between OJ and intention to stay (0.302,  $p < 0.01$ ). Initial support to *H1–H3* is thus obtained. Cronbach’s  $\alpha$  values of all the constructs satisfy the cut-off of 0.70 recommended by Nunnally (1978) (see diagonal values in italic against each construct).

*H1–H3* were tested in accordance with the traditional four conditions of mediation given by Baron and Kenny (1986). However, some authors (e.g. MacKinnon *et al.*, 2002) have reported a few potential deficiencies of this approach. Preacher and Hayes (2004) recommend a formal significance test of the indirect effect “ab” (i.e. the product of “a” and “b” paths) for mediation analysis. Sobel’s (1982) test is majorly used for testing of the

**Table II.**  
Values of mean,  
standard deviation,  
reliability and  
correlation

	Mean	SD	Total rewards	Engagement	Organizational justice	Intention to stay
Total rewards	3.8922	0.76592	<i>0.865</i>			
Engagement	3.8211	0.52573	0.529**	<i>0.898</i>		
Organizational justice	3.1217	0.51777	0.581**	0.521**	<i>0.774</i>	
Intention to stay	3.7879	0.68166	0.618**	0.468**	0.302**	<i>0.793</i>

**Notes:** Bootstrap sample size = 5,000. Unstandardized regression coefficients are reported. CI, confidence interval; SE, standard error. \*\*Significant at the 0.01 level (two-tailed)

indirect effect. This test has also been criticized on the ground that it assumes normal distribution of the indirect effect “*ab*,” which may not be true. Another method of evaluating the indirect effect is “to bootstrap the sampling distribution of *ab*.” Accordingly, the hypothesized mediation model and *H4* (including testing of *H1–H3*) have been tested by SPSS PROCESS (Hayes, 2015). Testing of the three conditions of mediation given by Baron and Kenny (1986) also leads us to test *H1–H3* by examining the linear relationship between the independent, mediator and dependent variables using regression analysis.

Table III presents the results of testing *H4*, which includes testing of *H1–H3*. The total effect of total rewards on intention to stay is positive and significant (“*c*” path:  $B = 0.561$ ,  $SE = 0.021$ ,  $\beta = 0.457$ ,  $t = 16.552$ ,  $p < 0.01$ ), which supports *H1* and meets the first condition for the test of mediation. Effect of total rewards on engagement is positive and significant (“*a*” path:  $B = 0.621$ ,  $SE = 0.021$ ,  $\beta = 0.568$ ,  $t = 23.637$ ,  $p < 0.01$ ), which supports *H2*. *H3* is supported by a positive and significant effect of engagement on intention to stay (“*b*” path:  $B = 0.434$ ,  $SE = 0.054$ ,  $\beta = 0.216$ ,  $t = 10.377$ ,  $p < 0.01$ ). When engagement is controlled, the relation between total rewards and intention to stay has become smaller, though it remains significant, which signifies partial mediation by engagement. All conditions for mediation analysis have hence been tested.

Both bootstrap and Sobel test provide evidence that the indirect effect of total rewards on intention to stay through engagement is positive ( $ab = 0.2784$ ) and significant. Significant indirect effect (Sobel  $z = 9.0760$ ,  $p < 0.01$ ) is reflected in the results of the normal distribution test. Sobel test results are further substantiated by bootstrap result because it does not contain 0 (0.2217, 0.3486). Overall results lead to acceptance of *H4*.

The hypothesis proposing moderating role of OJ between total rewards and engagement (i.e. *H5*) has been tested by using SPSS PROCESS command. A significant change in  $R^2$  (0.0061), after adding the interaction variable in the model, substantiates the moderating effect (refer to Table IV).

OJ positively moderates the relation of total rewards with engagement ( $B = 0.1011$  at  $p < 0.05$ ). Examination of the conditional effect of total rewards on engagement at different values of the interaction of OJ shows an enhancing effect, increasing with enhancement in the level of the moderator. Three separate regression lines were plotted between total rewards and engagement for high, medium and low values of OJ (see Figure 2) for graphical interpretation of this interaction. Engagement is the highest when both total rewards and OJ are high.

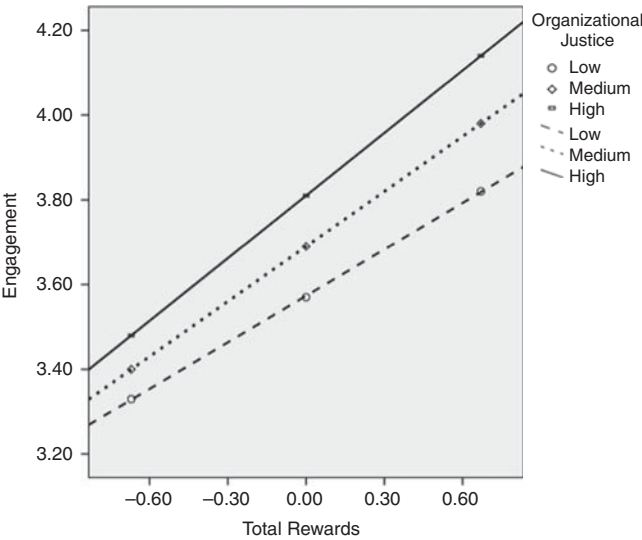
*H6* proposing moderated mediation has been tested through four recommended conditions by past researchers (e.g. Muller *et al.*, 2005; Preacher *et al.*, 2007). A significant

	<i>B</i>	SE	<i>β</i>	<i>t</i>	<i>p</i>
Total rewards regressed on intention to stay (“c” path): total effect	0.561	0.021	0.457	16.552	0.000
Total rewards regressed on engagement (“a” path)	0.621	0.021	0.568	23.637	0.000
Engagement regressed on intention to stay, controlling for total rewards (“b” path)	0.434	0.054	0.216	10.377	0.000
Total rewards regressed on intention to stay, controlling for engagement (“c” path): direct effect	0.318	0.041	0.201	7.238	0.000
Indirect effect using bootstrap procedure					
Value (ab path)	SE	Lower limit	Upper limit		
		95% CI	95% CI		
0.2784	0.0325	0.2217	0.3486		
Normal theory tests for indirect effect and significance					
Effect	SE	<i>z</i>	<i>p</i>		
0.2784	0.0307	9.0760	0.0000		

**Table III.**  
Testing of *H4* (results  
of mediation analysis)

**Table IV.**  
Testing of *H5*  
(results of  
moderation analysis)

Dependent variable: engagement	Coefficient	SE	<i>p</i>	LLCI	ULCI	
Constant	3.6924	0.0216	0.00	3.6499	3.7349	
Total rewards	0.4359	0.0632	0.00	0.3118	0.5600	
Organizational justice	0.1905	0.0641	0.0031	0.0646	0.3164	
Total rewards × Organizational justice	0.1011	0.0354	0.0044	0.0316	0.1705	
Model summary						
<i>R</i>	<i>R</i> <sup>2</sup>	<i>F</i>	<i>p</i>			
0.6878	0.4731	209.4972	0.00			
<i>R</i> <sup>2</sup> increase due to interaction						
<i>R</i> <sup>2</sup> change	<i>F</i>	<i>p</i>				
0.0061	8.1693	0.0044				
Conditional effect of total rewards on engagement at low, medium and high values of organizational justice						
Level of moderator	Effect	SE	<i>t</i>	<i>p</i>	Lower limit 95% CI	Upper limit 95% CI
Low	0.3730	0.0736	5.0660	0.00	0.2285	0.5176
Medium	0.4359	0.0632	6.8968	0.00	0.3118	0.5600
High	0.4989	0.0595	8.3869	0.00	0.3821	0.6156
<b>Notes:</b> Bootstrap sample size = 5,000. Unstandardized regression coefficients are reported, values for moderator (high, medium and low) are the mean and plus/minus one SD from mean. CI, confidence interval; SE, standard error						



**Figure 2.**  
Interaction plot of  
organizational justice  
as moderator

relation between total rewards and intention to stay has already been established on acceptance of *H1*. Next, we have evaluated whether the interaction between total rewards and OJ has significant influence on engagement. Acceptance of *H5* confirms this condition. The third condition is supported by the acceptance of *H3*, which reveals that engagement is positively related to intention to stay.

The conditional indirect effect of total rewards on intention to stay mediated by engagement increases with increase in the level of the moderator and is the highest when both total rewards and OJ are high (Table V). *H6* is thus accepted.

**Table V.**  
Testing of *H6*  
(moderated  
mediation results)

Conditional indirect effect(s) of total rewards on intention to stay at low, medium and high values of organizational justice					
Moderator	Level	Conditional indirect effect	SE	Lower limit 95% CI	Upper limit 95% CI
Organizational justice	Low	0.1626	0.0602	0.0308	0.2674
	Medium	0.1901	0.0413	0.1095	0.2745
	High	0.2175	0.0324	0.1637	0.2965
Index of moderated mediation					
Index	SE	Lower limit 95% CI	Upper limit 95% CI		
	(boot)				
0.0441	0.0406	0.0096	0.1400		

**Notes:** CI, confidence interval; SE, standard error

## Discussion

Our primary objective in this paper has been to empirically test a moderated-mediation model containing a mediated relation between total rewards and intention to stay via engagement that is moderated by OJ. Before testing the moderated-mediation hypothesis we have constructed and verified both mediation and moderation hypotheses to find support for our proposed model. Results obtained are broadly aligned with the hypotheses we have framed.

Results of testing *H1–H3* contribute to the less-explored link between total rewards, engagement and work-related outcomes. A few earlier studies (e.g. Akhtar *et al.*, 2015) proposing a relationship between total rewards and turnover intention have found support from the results of testing *H1*. Acceptance of *H2* adds to limited research (such as Hulkko-Nyman *et al.*, 2012) on the relation between total rewards and engagement. Testing of *H3* has substantiated the positive consequences of engagement, thus aligning with related findings of other authors (e.g. Saks, 2006; Shuck *et al.*, 2011; Kassing *et al.*, 2012). Acceptance of *H3* suggests that the extent of engagement employees have with their work is likely to determine their intention to stay with their organization. Overall, results of testing *H1–H3* extend findings of previous studies by corroborating the relation between total rewards, engagement and employees' intention to stay in the less-researched context of Indian private sector banks.

Results of testing *H4* reflect that engagement partially mediates the association of total rewards system with intention to stay. Though mediation is partial, the significance of this finding cannot be ignored because extant research has very few scholarly illustrations, especially in Indian context, of how total rewards could affect employees' intention to quit/stay through engagement. Prior studies (e.g. Saks, 2006; Ghosh, Rai, Chauhan, Baranwal and Srivastava, 2016) have also established engagement as a mediator between rewards and recognition components and work-related outcomes. Our paper has earned distinction by confirming engagement as a mediator between total rewards and intention to stay, thereby adding to the antecedents-consequences literature on engagement.

Acceptance of the first four hypotheses helps us draw inferences based on the social exchange theory (SET) by Blau (1964). SET rests on the concept of "norm of reciprocity" and suggests that recipients of benefits that are economic or socio-economic from their organization tend to have a feeling of obligation and reciprocate with positive behaviors and attitudes (Yang 2012; Alfes *et al.*, 2016; cf. Maden, 2015). Based on SET, it can be claimed that procurement of benefits from the organization obliges its employees to devote their energy, time and efforts to work. Extremely engaged people hardly quit their organization since they have already invested a lot of energy in their job (Halbesleben and Wheeler, 2008).

Acceptance of mediation as a finding explains the weak relation of pay satisfaction with engagement and retention of employees. We argue that only a traditional compensation

system might not be sufficient to engage employees, influencing them to stay; there also is a need to implement a total rewards system for this purpose. Our study thus has established that total rewards encapsulate all motivating forces required to engage employees, which in due course can induce them to stay with their organization.

While a total rewards system has a direct relation with engagement, testing of *H5* incorporates OJ as a moderator between total rewards and engagement. Linkages of engagement with OJ (e.g. Ghosh *et al.*, 2014) and rewards and recognition (e.g. Ghosh, Rai, Chauhan, Baranwal and Srivastava, 2016) have already been established. The present paper is the first to exhibit that the association between total rewards and engagement is strengthened through a high level of OJ. Total rewards together with perceived equity, fairness and transparency in organizational practices would thus have a stronger influence on engagement than the value of total rewards alone might have.

The moderated-mediation process validated through acceptance of *H6* is argued to occur because a high level of perceived OJ strengthens the mediated relation between total rewards and intention to stay, thus fortifying the overall motivational process. Empirically operationalizing the moderating role of OJ in this framework is a distinctive contribution of our paper to literature. Our results demonstrate that introducing total rewards to realize positive organizational outcomes without giving attention to OJ could perhaps not be so effective. Scholars and practitioners are hence recommended to integrate the dimension of justice with total rewards for maximum realization of positive work-related outcomes.

### Managerial implications

Outcomes of this paper have several practical implications. Existing research in the Indian context has found OJ and rewards and recognition significant for engagement (e.g. Gupta and Kumar, 2012; Biswas *et al.*, 2013; Ghosh *et al.*, 2014; Rai *et al.*, 2018) and employee retention (e.g. Thite and Russell, 2010; Nakra, 2014). However, the moderated-mediation mechanism established in this paper has added new insights to the relation of rewards and justice elements with engagement and turnover intention, adding to recent developments in research (e.g. Tang *et al.*, 2018).

To begin with, we recommend assessment of the level of engagement among employees on a regular basis. Counseling sessions could be introduced to discuss the underlying reasons if any employee exhibits lesser engagement level. Results obtained also direct us to infer that reward practices should be designed in a way that they fulfill the need among employees to be rewarded justly for their contributions, efforts and capabilities. Organizations should hence provide competitive salary and bonuses and also share the profits generated through the combined efforts of management and workforce in a fair way. Practically our results signify that organizations have to be conscious that in addition to preparing the total rewards bundle, OJ is also vital. Such understanding might also help organizations in enhancing the effectiveness of their other HR practices by including the element of fairness.

Employees' perception about OJ depends on aspects like "internal equity, external parity, impartiality in assessment, clarity on desired actions/behaviours and results that will be rewarded, and, the level of transparency on the reasons or parameters of a reward" (WorldatWork, 2012, p. 8). Internal and external equity in the distribution of total rewards across all levels improve the perception of justice. Private banks in India, presently 26 in number, face immense competition among each other, which necessitates them to regularly monitor their total rewards schemes through comparison with each other to ensure external equity. Internal equity could be attained by balancing the total rewards of new entrants with those of existing employees who perform similar jobs. Appropriate rectifications need to be implemented promptly to minimize inequities, if any. An effective grievance redressal mechanism contributes significantly to an employee's perception of justice. Therefore,

banks may improve on their internal grievance redressal process in dealing with issues of performance appraisal, compensation, increments, incentives, bonuses and promotions.

The practice of total rewards is a unique strategic construct for optimizing an organization's investment in rewards to maximize success in attracting, motivating and retaining key performers. Our study adds OJ as an essential attribute to any total rewards package to make the latter more valuable and effective. Furthermore, since intention to quit could be followed by the actual act of quitting, such intention can be addressed with timely interventions. This study thus provides a new approach to organizations in the form of fairness in total rewards to transform employees' intention to quit into their intention to stay.

### Study limitations and directions for further research

The cross-sectional design we have adopted limits assessment of causal inferences regarding relations among the selected variables. A longitudinal design could give more insights. Robustness of the findings can also be assessed by exploring the individual roles of each dimension of justice in our model. Also, intention to stay could be substituted by other consequences like job satisfaction. Finally, it is believed that replication of this work in other sectors and also in other countries would contribute to the literature on the study variables.

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