

Impact of Extrinsic and Intrinsic Rewards on Employee Retention among Generation Z: The Mediating Effect of Employee Motivation

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This research delves into the critical examination of the impact of both extrinsic and intrinsic rewards on employee retention, with a specific focus on the unique perspective of Generation Z employees. The study is conducted within the context of a one of the leading textile manufacturing companies in Biyagama Export Processing Zone in Sri Lanka, aiming to shed light on the dynamics that influence the retention of employees from this generation. According to a comprehensive examination of available evidence, the correct combination of rewards is vital to employee retention. Businesses' most precious asset is skilled and educated human capital, however with generational Z employee behaviors, employers must be conscious of the need to offer or invent new employee rewarding mechanisms in order to retain those Generational Z individuals in their organizations the research employs a comprehensive framework that considers both extrinsic rewards, such as salary, bonuses, and recognition, and intrinsic rewards, including learning opportunities and Recognition. It investigates the intricate impact of these Extrinsic and Intrinsic rewards and their collective influence on employee motivation, ultimately affecting the retention of Generation Z workforce. Supporting the hypotheses, the results showed that there is a significant positive impact of Extrinsic and Intrinsic rewards on retention among Generation Z and also mediation effect of employee motivation. The findings of this research are expected to contribute to the existing body of knowledge on employee retention, particularly among the emerging Generation Z workforce in the context of the textile manufacturing industry. The implications of the study provide important directions to the human resource practices and strategies, offering practical insights for organizations seeking to enhance employee retention and motivation in this specific demographic. The main limitation of this study the research may not account for external factors, such as economic conditions, industry trends, or changes in organizational leadership, which could impact employee retention independently of rewards and motivation.

Keywords: *Extrinsic Rewards, Intrinsic Rewards, Employee Retention, Generation Z, Employee Motivation, Textile Manufacturing*

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