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Employee Perceptions of Reward Systems in Public Institutions: Evidence from the Republic of North Macedonia

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Abstract: It has always been an issue in the human resource management selecting the right rewards for the employees especially in the public institutions. Many public institutions are unable to identify the types of rewards which are best used to foster employees' work satisfaction. The study aims are to evaluate how reward systems in public institutions influence employee perception and to analyze their impact on job satisfaction, quality of work, and employee retention in the public sector of North Macedonia. Data were collected via self-administered questionnaire of 153 employees in public institutions in North Macedonia. Reliability and validity of the measurement instrument are confirmed through Cronbach's alpha (0.777) and factor analysis. Descriptive statistics, correlation analysis, and regression analysis are applied to test the proposed hypotheses. The results indicate that the re-ward system has a positive but weak effect on job satisfaction ($\beta = 0.142$, $p = 0.079$), quality of work ($\beta = 0.146$, $p = 0.071$), and employee retention ($\beta = 0.144$, $p = 0.075$), with none of the effects reaching statistical significance. Additional hierarchical re-gression analysis suggests that demographic characteristics partially influence these relationships, while the contribution of reward systems remains limited. The findings imply that reward systems in public institutions play a secondary role in shaping employee outcomes, while other factors such as job security, intrinsic motivation, and institutional stability may be more influential. The study contributes to the limited empirical literature on public sector reward systems in North Macedonia and offers practical insights for policymakers and managers seeking to improve human resource management practices.

Keywords: *reward system, public institutions, employee, North Macedonia.*

Introduction

Reward systems constitute an important component of human resource management in public institutions, as they are expected to influence employee job satisfaction, quality of work, and retention. In public-sector institutions, reward mechanisms are shaped by institutional regulations, budgetary limitations, and standardized employment conditions, which often differentiate them from reward practices in the private sector.

Public institutions within the European Union generally apply more structured and transparent reward systems, emphasizing merit-based principles, accountability, and performance evaluation (Crețu et al., 2024). These systems increasingly combine financial and non-financial rewards, including professional development opportunities, recognition schemes, and work–life balance initiatives, with the aim of enhancing employee engagement and institutional performance. Such practices are supported by clearly defined legal frameworks and performance management systems that align individual contributions with institutional objectives (OECD, 2017).

In contrast, public institutions in the Republic of North Macedonia, and the wider region, tend to predominantly rely on seniority-based pay systems, while performance-based reward mechanisms are implemented to a considerably lesser extent. Differences in administrative capacity, financial resources, and institutional culture contribute to less standardized reward practices, which may reduce their effects

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on employee motivation. Consequently, the effectiveness of reward systems in influencing employee attitudes and behavior in the public sector remains an open empirical question.

Recent research highlights the growing importance of non-monetary rewards and intrinsic motivation in public-sector employment; however, empirical evidence on employee perceptions of reward systems and their impact on job satisfaction, quality of work, and retention in North Macedonia is still limited (de Juana-Espinosa and Rakowska, 2018; Danevska et al., 2024). Most existing studies focus on formal reward policies rather than on how employees evaluate these systems in practice (Gerhart and Fang, 2015).

Also, have demonstrated that employee engagement in public organizations is significantly influenced by intrinsic motivational factors, leadership support, and public service motivation, which contribute to stronger work engagement and positive organizational outcomes (Alamri, 2023).

This research gap provides the foundation for the present study, which examines employee perceptions of reward systems in public institutions in the Republic of North Macedonia and analyzes their impact on job satisfaction, quality of work, and employee retention. By focusing on employee perceptions rather than formal reward policies alone, the study contributes to a deeper understanding of motivation and performance in the public sector.

Against this background, the aim of this study is to analyze employee perceptions of reward systems in public institutions in the Republic of North Macedonia and to examine their impact on job satisfaction, quality of work, and employee retention. Using a quantitative research approach based on survey data and statistical analysis, the study seeks to contribute empirical insights to the literature on public-sector human resource management and to provide practical implications for improving reward system design in public institutions.

Reward system in public institutions in the Republic of North Macedonia

Rewarding and motivating employees represents one of the most challenging areas of human resource management, particularly in the public sector. A reward system refers to the set of financial and non-financial compensation mechanisms provided to employees in recognition of their contribution, performance, and achievement of organizational objectives. A well-designed reward system is expected to enhance employee productivity and institutional effectiveness, while for employees it represents a source of motivation, job satisfaction, and professional commitment.

In the public sector of the Republic of North Macedonia, the reward system is implemented through a formal framework of performance evaluation, compensation, promotion, and professional development. Over the past decade, significant reforms have been introduced leading to implementation of various human resource management standards, aimed at improving transparency, fairness, and accountability.

According to the applicable legal framework, every employee in the public sector is entitled to a salary and reimbursement of work-related expenses under conditions defined by law, collective agreements, and employment contracts. Fundamental principles and criteria for rewarding, promotion, professional development, and performance evaluation are regulated by the Law on Administrative Officers, the Law on Public Sector Employees, and other relevant legal acts (Law on Administrative Servants, 2025 and Law on Public Sector Employees, 2025).

The reward system in public institutions follows the concept of total rewards, which includes both monetary and non-monetary components. Monetary rewards consist primarily of salaries and allowances, while non-monetary rewards include promotion opportunities, professional development, recognition, and performance-based incentives. Performance evaluation represents a key prerequisite for rewarding and is conducted annually, assessing employees based on efficiency, quality of work, goal achievement, and commitment.

Administrative officers are evaluated on a scale from 1 to 5, resulting in performance ratings from “A” to “E”. These ratings are directly linked to career advancement opportunities and serve as a prerequisite for promotion. Salary structure consists of a basic component—determined by education level, job position, and years of service—and an exceptional component, which includes allowances for special working conditions, overtime, shift work, and risk exposure (Law on Administrative Servants, 2025, article 54).

Promotion is considered an important form of rewarding in the public administration system. The promotion process is regulated, transparent, and based on clearly defined criteria, including previous performance ratings, years of service, and the absence of disciplinary measures. Additionally, the system ensures the principle of adequate and equitable representation, with the aim of ensuring fairness, equal access to career advancement opportunities, and non-discriminatory treatment for all employees throughout the promotion procedure.

Professional development is also recognized as a form of rewarding. Administrative officers have both the right and the obligation to participate in continuous professional development activities based on individual development plans. These activities aim to improve skills and competencies and contribute to the overall efficiency and quality of public administration.

Despite the existence of a comprehensive legal and institutional framework, the effectiveness of reward systems in influencing employee satisfaction, performance, and retention depends largely on how these mechanisms are perceived and experienced by employees in practice. This context provides the foundation for the empirical analysis conducted in this study.

Literature review and hypotheses development

Reward systems represent a fundamental element of human resource management and play a crucial role in attracting, motivating, and retaining employees while aligning individual contributions with institutional objectives. In public institutions, reward systems are expected not only to stimulate performance but also to promote fairness, accountability, transparency, and socially responsible behavior. Compared to the private sector, reward systems in public administration are more strongly regulated, standardized, and oriented toward equity and procedural fairness rather than exclusively toward performance-based compensation (OECD, 2016).

Public-sector reward systems generally consist of fixed salaries, allowances, benefits, job security, career advancement opportunities, and professional development mechanisms. Due to the bureaucratic nature of public administration, the use of performance-contingent financial incentives is often limited. This institutional structure reflects the need to ensure equal treatment, political neutrality, and transparency in public employment practices. However, modern human resource management increasingly recognizes that compensation alone is insufficient for sustaining employee motivation and institutional effectiveness.

The concept of total rewards provides a broader framework for understanding employee compensation and motivation. According to total reward theory, reward systems include not only direct financial compensation, but also non-financial and intrinsic rewards such as recognition, autonomy, professional development, meaningful work, feedback, and work-life balance (Milkovich et al., 2019). Effective reward systems should therefore be strategically aligned with institutional objectives, employee expectations, and public-service values in order to improve both employee satisfaction and organizational performance.

Existing literature consistently demonstrates that successful public-sector reward systems combine financial and non-financial dimensions. Financial rewards include salaries, bonuses, allowances, and benefits, while non-financial rewards encompass recognition, opportunities for career development, flexible work arrangements, autonomy, and job stability. Self-determination theory emphasizes that intrinsic and non-financial rewards often produce stronger and more sustainable motivational outcomes than purely financial incentives, particularly in public-service environments where employees are frequently motivated by social contribution and professional identity (Ryan and Deci, 2000).

Empirical research confirms that reward systems significantly influence employee performance, organizational commitment, job satisfaction, and employee retention in public institutions. Research conducted in public institutions in Rwanda indicates that compensation, recognition systems, career development opportunities, and employee benefits positively affect employee performance. Importantly, non-monetary rewards such as career development and fringe benefits were found to have stronger motivational effects than direct financial compensation, emphasizing the importance of long-term professional security and growth opportunities (Kampororo et al., 2021).

Similarly, studies focusing on local government institutions in Botswana reveal that ineffective and poorly managed reward systems contribute to reduced employee motivation, low institutional commitment, and weaker service quality. Transparent and equitable reward practices, on the other hand, improve employee satisfaction and retention (Tshukudu, 2020). These findings indicate that the effectiveness of reward systems depends not only on their formal structure, but also on employees' subjective perceptions of fairness, transparency, and adequacy.

Employee perceptions represent a critical mediating factor between reward structures and work-related outcomes. Research suggests that employees' attitudes toward institutions are shaped less by the objective level of rewards and more by their subjective evaluations of procedural justice, recognition, and equity (Lincoln and Kalleberg, 1990). When employees perceive reward systems as fair, transparent, and aligned with their contributions, they are more likely to demonstrate stronger organizational commitment, higher work engagement, and improved job performance.

In public administration, intrinsic rewards often outweigh extrinsic rewards in shaping employee motivation and satisfaction. Public servants are frequently driven by public-service values, professional ethics, and the opportunity to contribute to society. Consequently, meaningful work, recognition, and opportunities for professional growth play a particularly important role in sustaining employee engagement and institutional commitment (Belle and Cantarelli, 2015; Perry et al., 2010).

Recent literature increasingly emphasizes that reward systems must adapt to changing workforce expectations, digital transformation, demographic changes, and labor market competition. Contemporary public-sector organizations face growing pressure to modernize reward practices in order to improve institutional resilience, employee engagement, and organizational effectiveness. As a result, reward systems are now viewed not only as compensation mechanisms, but also as strategic instruments for improving institutional performance and public-service quality (World Bank, 2021; CIPD, 2023).

Recent empirical studies further highlight the importance of fairness, transparency, and perceived organizational support in public institutions. Research conducted in European public administrations demonstrates that procedural justice, transparent evaluation criteria, and equal access to career advancement opportunities significantly strengthen employee trust and motivation, even within relatively rigid compensation systems (Kwon and Kim, 2020). Similarly, newer generations of employees increasingly value flexibility, autonomy, continuous learning opportunities, and work-life balance alongside traditional financial compensation.

The COVID-19 pandemic and the acceleration of digital transformation have additionally reshaped employee expectations regarding reward systems. Flexible working arrangements, mental health support, digital working conditions, and opportunities for continuous professional development are now recognized as important components of modern reward systems. OECD reports suggest that institutions capable of combining traditional compensation mechanisms with employee-centered reward practices achieve higher levels of motivation, retention, institutional adaptability, and organizational resilience (OECD, 2023).

Digital transformation has also introduced new challenges in reward management. Employees increasingly expect more personalized, transparent, and performance-sensitive reward systems supported by digital HRM technologies and continuous feedback mechanisms. Recent studies indicate that organizational culture and leadership quality strongly influence how employees perceive reward fairness and institutional support during periods of organizational change (Vnoučková et al., 2022).

In transition and developing economies, public-sector reward systems are additionally shaped by fiscal constraints, political reforms, administrative traditions, and institutional capacity limitations. Reform efforts often fail when reward policies are not aligned with employee expectations and workplace realities (World Bank, 2021). In the Western Balkans, including North Macedonia, public administration reforms have intensified the importance of understanding employee perceptions regarding fairness, transparency, adequacy, and motivational effectiveness of reward systems.

For North Macedonia specifically, empirical research examining employee perceptions of reward systems in the public sector remains limited. Potential discrepancies between formal reward policies and their practical implementation may negatively affect employee morale, productivity, institutional trust, and employee retention. Therefore, examining how employees perceive both financial and non-financial rewards represent an important step toward understanding motivation and organizational commitment in the Macedonian public sector.

Reward Systems and Job Satisfaction

Job satisfaction reflects employees' overall evaluation of their work experience and institutional environment. Prior research suggests that perceived fairness and adequacy of rewards significantly contribute to job satisfaction (Lincoln and Kalleberg, 1990). When employees perceive reward systems as transparent, equitable, and aligned with performance, they are more likely to experience higher levels of satisfaction.

Although public institutions rely less on performance-contingent pay than private organizations (OECD, 2016; OECD, 2023), the perception of recognition and professional development opportunities may still positively influence satisfaction levels. Therefore, the following hypothesis is proposed:

H*$_1$*: Reward system in public institutions positively impacts employee job satisfaction in performing day-to-day tasks.

Reward Systems and Quality of Work

Reward systems are also designed to enhance performance and work quality. According to self-determination theory (Ryan and Deci, 2000), extrinsic rewards may reinforce task engagement when they support competence and autonomy. Empirical evidence indicates that appropriately structured reward systems can enhance employee performance and effort in public-sector institutions (Kampororo et al., 2021).

Even within highly regulated systems, employees who perceive recognition and advancement opportunities as meaningful may be more motivated to maintain high-quality work standards. Therefore:

***H*$_2$*: Reward system positively impacts employee work quality and motivation in performing day-to-day tasks*

Reward Systems and Employee Retention

Employee retention is influenced by both economic and psychological factors. While public-sector employment is often associated with job security, perceived fairness and recognition remain important determinants of long-term institutional commitment (Tshukudu, 2020). Employees who perceive reward systems as fair and supportive are more likely to develop stronger attachment to their institutions and lower turnover intentions.

Accordingly, the third hypothesis is formulated as:

***H*$_3$*: Reward system positively impacts employee retention in public institutions*

The three hypotheses (H$_1$–H$_3$) summarize the expected positive relationships between reward system and job satisfaction, work quality and employee retention. Testing this framework enables an empirical comparison of the relative importance of different levels in shaping employee intentions in a public institution. The next section describes the research design, measurement scales and analytical procedures employed to examine these relationships.

Materials and methods

The methodological approach of this study was formulated based on the specific nature of the researched issue and the need to use appropriate data sources. This study used a self-administered questionnaire to collect primary data, consisting of clear and concise questions, developed in accordance with the relevant laws and bylaws. The questionnaire was prepared in Google Docs and distributed online to employees from various public institutions in the Republic of North Macedonia. The selection of respondents was carried out using random sampling, in order to ensure the representativeness of the data. Participation in the survey was anonymous, and all collected information was used solely for the purpose of this research. The study resulted in 153 (one hundred and fifty-three) valid responses, which were used for the empirical analysis. The survey ran from March 1st to June 30th, 2025.

This research aims to raise awareness of the need for continuous investment in the development of human resources in public institutions and to encourage managerial staff to continuously propose possible approaches for ongoing performance evaluation and rewarding, in line with institutional needs and implemented activities.

The questionnaire consisted of a total of 13 questions, aimed at identifying the actual situation in the public sector, providing a detailed analysis of the importance and necessity of human resource management through the processes of motivating and rewarding employees, and offering recommendations for improving these processes in public institutions in the Republic of North Macedonia.

The questionnaire contained questions in a closed-ended format and logically connected questions measured using a 5-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The introduction part was designed to gather basic information like age, sex and working period in the institution. The other questions concern of type of reward for the employees, how they are satisfied with the current reward, does the reward system in their institution is fair and transparent, does reward system influence on the job satisfaction, quality of work or employee retention.

The questionnaire items were grouped into four main variables: reward system, job satisfaction, quality of work, and employee retention. The reward system variable included following items: q4: How satisfied are you with the current reward system in your institution; q6: Do you believe that the reward system in your institution is fair and transparent; q7: Do you believe that the reward system in your institution is aligned with the organizational goals and tasks; q8: How often are rewards given in your institution, and q13: How effective is the communication with supervisors regarding the reward system in your institution. The job satisfaction variable was measured through the item q9: How would you rate the impact of the reward system on your job satisfaction. Variable quality of work included item q12: Does the performance evaluation and reward system affect the quality of work in your institution and Employee retention variable was assessed through the item q10: Do you think that the reward system contributes to better employee retention in your institution.

Therefore, the use of questionnaire as a data collection method enables the examination of potential relationships among the variables included in the study, as well as the main research questions. According to Bihu, (2021), the data collection process generally involves questionnaire design, data collection, statistical analysis, interpretation of findings, and presentation of conclusions. The sample size is adequate for the exploratory factor analysis and multiple regression analysis, particularly when the measurement instrument demonstrates acceptable reliability and validity and when the number of predictors remains limited (Kyriazos, 2018).

Results

The paper analyzes the influence of reward system in public institutions on employee satisfaction. The aim of this research is to define the reward system and to obtain results regarding the impact of the reward system on employee productivity in the public sector of the Republic of North Macedonia.

Table 1 presents descriptive data analyses, based on the data collected, it is identified that the majority of the respondents are between 35 and 44 years old (54.9%), followed by those between 45 and 54 years old (22.4%), between 25 and 34 years old (11.8%) and 55 and above only 9.8%. The smallest group were those under 25 years old (1.3%). This suggests that the findings of the study primarily reflect the perceptions and experiences of employees with active involvement in institutional processes and institutional experience in public institutions. The dominance of experienced employees enhances the credibility of the results, as respondents are likely to have a well-formed understanding of reward systems, performance evaluation, and career advancement processes. Their assessments are therefore based on prolonged exposure to institutional practices rather than short-term impressions.

Out of the 153 respondents, 113 respondents (73.9%) were female, 40 respondents (26.1%) were men. This has shown that the most of the employees in the public institutions are females. According to the work experience on the public institutions 64.1% work more than 10 years and none of the respondents had worked for less than one year. The high proportion of respondents with more than ten years of work experience indicates that the survey responses are based on employees who have more work experience and institutional knowledge. The absence of respondents with less than one year of experience further suggests that the findings reflect informed and stable perceptions of the reward system. The demographic and employment characteristics of the respondents in this study are consistent with officially published reports on employment in the public administration in the Republic of North Macedonia. The predominance of middle-aged employees, the higher representation of female respondents reflects the structural features of the public-sector workforce identified in official national statistics. This alignment indicates that the sample accurately represents the composition of employees in public institutions and supports the reliability and relevance of the collected data (Ministry of Information Society and Administration, 2024).

Table 1. *Descriptive results*

		Frequency	Percent	Std. Deviation
How old are you?	Under 25 years	2	1,3	
	25-34	18	11,8	
	35-44	84	54,9	
	45-54	34	22,2	
	55 and above	15	9,8	
	Total	153	100	0,845
Sex	Male	40	26,1	
	Female	113	73,9	
	Total	153	100	0,441
How long have you been working in public institutions in the Republic of North Macedonia?	Less than 1 year	0	0	
	1–3 years	12	7,8	
	4–6 years	24	15,7	
	7–10 years	19	12,4	
	More than 10 years	98	64,1	
	Total	153	100	1,005

Source: author's own research

Following the descriptive statistics, a reliability analysis using Cronbach's alpha was conducted to verify the reliability of the scale before proceeding with further statistical analyses.

Cronbach's alpha is applied to measure reliability on variables. The reward system scale demonstrates acceptable internal consistency, exceeding the commonly accepted threshold of 0.7 (Table 2). This confirms that the selected items reliably measure a single underlying construct and are suitable for further inferential analysis.

Table 2. *Alpha Coefficient of reliability on variables*

Cronbach's Alpha	N of Items
0.777	5

Source: author's own research

To confirm the adequacy of the data for structure detection we use factor analysis. Sampling adequacy is good (KMO = 0.865) which means that we have robust data. Bartlett's test for sphericity is highly significant, at the 0.00 level, indicating that the variables are highly correlated and can be used for factor analysis.

Table 3. *KMO and Bartlett's Test*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.810
Bartlett's Test of Sphericity	Approx. Chi-Square	284.241
	df	15
	Sig.	0.000

Source: author's own research

Correlation analysis is a tool for representing the closeness of one related variable to another and serves as an intermediate analytical step that provides preliminary empirical evidence regarding whether theoretically related variables are associated in practice.

Table 4 shows that none of the correlation coefficients between the reward system and the other variables exceed the threshold of 0.50, indicating weak and moderate correlations at the 0.05 significance level. Between quality of work and employee retention ($r = 0.540$, $n = 153$, $p \leq 0.05$) and between job satisfaction and quality of work ($r = 0.470$, $n = 153$, $p \leq 0.05$), moderate to strong correlations are observed. These findings indicate that job satisfaction and quality of work represent key factors influencing employee retention within the institution.

Furthermore, job satisfaction shows moderate correlations to employee retention ($r = 0.439$, $n = 153$, $p \leq 0.05$), confirming its important role in retaining employees. In contrast, the reward system does not show statistically significant correlations with job satisfaction, quality of work, or employee retention at the 0.05 level, suggesting that its influence on these outcomes is limited or indirect. Overall, the results imply that institutions primarily enhance employee retention by improving job satisfaction and work quality, rather than relying solely on reward system mechanisms.

These findings are consistent with previous studies emphasizing that intrinsic motivation, organizational support, and work environment often play a more significant role in public-sector employee attitudes than purely financial incentives (Belle and Cantarelli, 2015; Perry et al., 2010).

Table 4. *Correlation analysis*

		Reward_System	job satisfaction	quality of work	employee retention
Reward_System	Pearson Correlation	1	0.142	0.146	0.144
	Sig. (2-tailed)		0.079	0.071	0.075
	N	153	153	153	153
Job satisfaction	Pearson Correlation	0.142	1	0.470**	0.439
	Sig. (2-tailed)	0.079		0.000	0.000
	N	153	153	153	153
quality of work	Pearson Correlation	0.146	0.470**	1	0.540
	Sig. (2-tailed)	0.071	0.000		0.000
	N	153	153	153	153
employee retention	Pearson Correlation	0.144	0.439**	0.540**	1
	Sig. (2-tailed)	0.075	0.000	0.000	
	N	153	153	153	153

Source: author's own research

After comparing the strength of the correlation coefficient regression analysis has been run to test the study's hypotheses concerning the impact of the reward system on employee outcomes.

Table 5 presents a summary of regression analyses conducted to test the three research hypotheses. The results indicate that the reward system has a positive effect on job satisfaction, quality of work, and employee retention; however, effect sizes are small. The explained variance across all models is low, with R Square values ranging from 2.0% to 2.1%, suggesting that reward systems play a limited role in shaping employee outcomes in public institutions. Consequently, Hypotheses H_1, H_2, and H_3 are not statistically significant.

Table 5. *Summary of Regression Results for Hypotheses*

Variables	Hypothesis	β (Reward System)	R Square	Adjusted R Square	F	Sig. (p)
Job satisfaction	H_1	0.142	0.020	0.014	3.124	0.079
quality of work	H_2	0.146	0.021	0.015	3.303	0.071
employee retention	H_3	0.144	0.021	0.014	3.207	0.075

Note: N = 153. $p < 0.05$

Source: author's own research

The low explained variance across all models indicates that additional organizational and psychological factors may play a more important role in shaping employee attitudes and behavior. In highly regulated public-sector environments, employees may perceive reward systems as standardized administrative mechanisms rather than strong motivational tools. Similar findings have been reported in studies examining public-sector motivation in transitional administrative systems, where institutional stability and job security often outweigh the motivational influence of formal reward structures (OECD, 2025; Tshukudu, 2020).

Table 6 presents the results of hierarchical regression analyses conducted as a robustness check. In the first step, age and years of experience were entered as control variables. In the second step, the reward system was added to the models. The results indicate that the reward system contributes positively to job satisfaction, quality of work, and employee retention after controlling for demographic characteristics. However, the additional explained variance (R Square Change) is modest, ranging from 1.9% to 2.4%, and the effects are marginally significant at the 10% level. These findings suggest that while reward systems play a role in shaping employee outcomes in public institutions, their impact is limited and influenced by other factors.

Table 6. *Results of the hierarchical linear regression analysis for robustness check*

Dependent Variable	Predictor	Standardized Coefficients β	t	Sig.	R Square Change	R Square
Job satisfaction	Age	0.228	2.772	0.006		
	Working experience	−0.119	−1.444	0.151		
	Reward system	0.140	1.761	0.080	0.019	0.071
Quality of work	Age	0.045	0.533	0.595		
	Working experience	−0.102	−1.203	0.231		
	Reward system	0.155	1.912	0.058	0.024	0.031
Employee retention	Age	0.161	1.924	0.056		
	Working experience	−0.053	−0.634	0.527		
	Reward system	0.139	1.720	0.087	0.019	0.045

Source: author's own research

Discussions

The purpose of this study was to examine whether reward systems in public institutions influence employee job satisfaction, quality of work, and retention. The findings indicate that although the relationships between the reward system and employee outcomes are consistently positive, their strength is weak and not statistically significant. This pattern is observed across all three tested hypotheses, suggesting a stable and coherent empirical outcome rather than random statistical variation.

The findings are also aligned with more recent public administration studies emphasizing that public servants are increasingly motivated by intrinsic rewards, professional identity, and organizational stability rather than by direct financial compensation alone (Andersen et al., 2021). Recent OECD reports similarly suggest that standardized public-sector compensation systems reduce the motivational impact of performance-based rewards, particularly in transitional administrative environments characterized by centralized regulation and limited managerial flexibility (OECD, 2025).

The weak impact of reward systems may be explained by the specific characteristics of public institutions in the Republic of North Macedonia. Public-sector employment is typically associated with high job security, standardized salary structures, and limited performance-based incentives. As a result, employees may perceive rewards as an expected entitlement rather than as a motivational mechanism capable of significantly influencing their behavior. This interpretation aligns with public administration literature, which emphasizes that internal motivation, professional identity, and commitment to public service often play a more dominant role than rewards in employee attitudes.

These findings are consistent with more recent studies emphasizing the importance of intrinsic motivation and organizational support in public-sector institutions. Alamri (2023) found that employee engagement in public organizations is strongly influenced by transformational leadership and public service motivation, suggesting that non-financial motivational factors may play a more significant role in shaping employee attitudes and work engagement than formal reward mechanisms alone. This may explain the relatively weak influence of reward systems identified in the present study.

An important factor is the structure of the sample. The majority of respondents have more than ten years of work experience, indicating a highly stable workforce with extensive institutional knowledge. Such employees are likely to evaluate reward systems based on long-term experience rather than short-term expectations, which may further reduce the observable impact of rewards on satisfaction, performance, and retention. Employees in later career stages often place greater value on job stability, security, and institutional continuity than on performance-based rewards or short-term incentives. Consequently, reward systems may be perceived as a formal and expected component of employment rather than a strong motivational driver. Furthermore, the limited representation of younger employees suggests that early-career expectations, such as rapid advancement, performance-linked rewards, and flexible incentive structures, are less influential in shaping the overall results. This reinforces the interpretation that essential factors and structural characteristics of public-sector employment play a more prominent role in employee attitudes than reward mechanisms alone.

The correlation analysis revealed strong relationships between job satisfaction, quality of work, and employee retention, suggesting that these factors are closely interconnected. This finding implies that improving work conditions, institutional support, and meaningful job design may be more effective strategies for enhancing retention than focusing exclusively on reward systems. This may be particularly relevant in the context of the Republic of North Macedonia as a developing country, where public-sector employees may place greater value on job stability, institutional support, and working conditions than on formal reward mechanisms, which are often perceived as standardized and limited.

Overall, the results suggest that while reward systems remain an important component of human resource management, their effectiveness in public institutions is constrained by structural and institutional factors. These findings contribute to a more detailed understanding of employee motivation in the public sector and highlight the need for a broader approach to managing human resources beyond formal reward mechanisms.

Conclusions

In any public institution employee performance is key towards achieving specific goals. Employee perceptions of reward systems in public institutions in the Republic of North Macedonia depend on job satisfaction, quality of work, and employee retention. The research results demonstrate that reward systems have a positive but limited influence on these outcomes and do not represent a primary driver of employee behavior in the public institutions.

The findings indicate that public-sector employees' attitudes and performance are shaped more strongly by factors such as job stability, institutional environment, and internal motivation than by reward mechanisms alone. This suggests that policymakers and managers should complement reward systems with broader human resource strategies focused on professional development, recognition, employee engagement, and supportive leadership.

The report on public administration in the Republic North Macedonia (OECD, 2025) highlights that public-sector reward systems remain highly standardized, centrally regulated, and weakly linked to measurable performance outcomes. This institutional context helps explain why the present research identified positive yet weak and statistically non-significant effects from the research hypotheses. In environments where rewards are largely determined by formal criteria such as position classification and tenure, employees may perceive compensation as an entitlement rather than a motivational instrument. Consequently, the limited empirical support for the hypotheses does not necessarily contradict motivational theory but instead reflects structural constraints that reduce the strategic influence of reward systems in public institutions.

This study contributes to the literature in several ways. It extends the theoretical understanding of reward systems in public-sector context by providing empirical evidence from a transitional administrative environment, where compensation structures are highly standardized and centrally regulated. Offers practical and policy-relevant insights by demonstrating that reward systems exert only a limited influence on job satisfaction, quality of work, and employee retention, suggesting the need for better alignment between performance evaluation and incentive mechanisms. The study enhances regional scholarship by addressing the scarcity of quantitative research on human resource management practices in public institutions in the Republic of North Macedonia.

Future research could expand this study by incorporating qualitative methods, examining specific types of rewards in greater detail, or comparing public and private sector employees to further explore differences in motivational dynamics.

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Conflict of interests

The authors declare no conflict of interest.

Data availability statement

The original contributions presented in the study are included in the article/supplementary material, further inquiries can be directed to the corresponding author/s.

Institutional Review Board Statement

Not applicable.

Author Contributions

Conceptualization, M.B.K., V.P., N.P.A, M.D. and I.P.; methodology, M.B.K., V.P. N.P.A and I.P.; software, M.B.K. and M.D.; formal analysis, M.B.K., M.D., V.P., N.P.A and I.P.; writing—original draft preparation, M.B.K., M.D., V.P., N.P.A and I.P.; writing—review and editing, M.B.K., V.P., M.D., N.P.A and I.P. All authors have read and agreed to the published version of the manuscript.

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