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An Empirical Investigation into the Impact of Financial Incentives, Non-Financial Incentives, and Workplace Safety on Employee Retention in Manufacturing Firms

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Abstract - **Employee retention has become one of the major concerns among manufacturing organizations since it plays a critical role in maintaining productivity and organizational efficiency. Incentives are vital to most employees, and therefore, their effective design and implementation can motivate workers and increase retention rates. This paper aims to determine the financial and non-financial incentive schemes prevailing in the manufacturing industry, assess employees' views on the adequacy and equity of incentives, and establish a relationship between incentives and employee retention. The paper will adopt a descriptive study design and employ the survey technique to collect data from the target audience. The collected data will be analyzed using descriptive statistics, including frequency distribution and percentage analysis, and various statistical tools. The study will focus on salary increments, bonuses, rewards, and recognition, and training and development. It will also try to establish how incentives influence intent to stay among manufacturing employees. The results of this research will contribute to the existing body of knowledge by providing empirical evidence on the role of incentives in employee retention in the manufacturing sector. The findings will help manufacturing organizations identify the most effective incentive strategies for enhancing productivity and satisfying their employees.**

Keywords: Employee Retention, Financial Incentives, Non-Financial Incentives, Manufacturing Industry, Employee Motivation.

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CHAPTER 1 : INTRODUCTION

1.1 Background of the Study

Manufacturing companies are the backbone of economic growth, industrial employment, and technical value. Given the current trends in technology adoption, Industry 4.0 automation, and increased supply chain risks, the survival of industries depends on the availability of skilled and motivated manpower. Thus, employee retention, or the company's ability to prevent staff turnover and sustain productive workforces, is a critical business priority. A high attrition rate can lead to reduced production rates, higher re-hiring and training costs, machine idle time, and increased workplace accidents due to operator errors.

Manufacturing units have different requirements from commercial and service-based enterprises. There is a heterogeneous category of employees in industrial facilities, including labor workers engaged in shop-floor operations and administrative staff managing the business operations. The two categories of workers have divergent motivation and compensation needs, and a single-spectrum reward system might not yield desirable retention outcomes.

1.2 Statement of the Problem

The current scenario in the business world shows that even after providing substantial monetary benefits like increased wages and compensation, manufacturing organizations are unable to retain their employees. In addition to salary hikes, it is essential to provide non-monetary incentives, scope for career advancement, job security, safe working environment, and other related aspects. For example, shop-floor employees are more concerned about occupational safety and shift rotation whereas administrative staff may visualize more on career growth and recognition. Thus, the combined effect of financial and non-financial incentives along with working conditions on employee retention is intriguing and needs thorough background analysis. Therefore, the present research will focus on incentives and employee retention in the manufacturing industry.

1.3 Research Objectives

The study focuses on the following three objectives:

- To study the various financial and non-financial incentives schemes offered to employees in the manufacturing industry.
- To examine employee perceptions regarding the fairness and adequacy of existing incentives structures in manufacturing units.
- To analyse the relationship between incentives and employee retention among shop-floor and administrative staff in the manufacturing sector.

1.4 Significance of the Study

The study is significant since it may contribute to finding solutions to the problem of personnel retention in manufacturing organisations. The results can enable human resource managers to critically assess their reward systems and ensure they are meeting employees' expectations while supporting organisational goals. Further, the findings can enhance the body of knowledge on the role of employee incentives in retention.

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1.5 Hypotheses

H1: Financial incentives have a significant positive impact on employee retention intention of manufacturing firms.

H2: Non-financial incentives exert a significant positive impact on employee retention intention of manufacturing firms.

H3: Perceptions about workplace safety and physical conditions have a significant positive relationship with employee retention intention of manufacturing firms.

H4: There exists a significant differential variance between shop-floor/production workers and administrative personnel regarding the relative weight given to all factors mentioned.

1.6 Research Gap

Existing literature on incentives and employee retention is either focused on generic organizations or specific industries like IT, banking, and retail. Few studies explored the nuances of manufacturing organizations. In particular, compensation and working conditions in manufacturing were evaluated in a generic sense, not distinguishing between financial and non-financial incentives, and safety. Moreover, the effect of these factors on employee retention was rarely investigated for different categories of workers.

This study aims to fill these gaps by assessing the impact of financial and non-financial incentives, as well as safety on employee retention. It also intends to compare the differences between shop-floor and administrative employees. To accomplish this goal, a survey was designed to measure participants' perceptions of the fairness and adequacy of incentives and safety at the workplace.

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CHAPTER 2: REVIEW OF LITERATURE & THEORETICAL FRAMEWORK

2.1 Theoretical background

The present research is based on the motivation theories developed by Herzberg and Maslow. These theories help to understand how employees can be motivated within the manufacturing industry.

Herzberg's Motivation-Hygiene theory states that there are two categories of factors affecting employees' motivation. They are Hygiene factors and Motivators. The former are external to the work itself and include such elements as compensation, working conditions, and job security, while the latter are factors, such as achievement, growth, and responsibility. Applied to the manufacturing industry, this theory can explain employees' behaviour in the following way. Firstly, factors affecting job satisfaction in the manufacturing industry are mostly related to the workplace safety and compensation. Poor working conditions or low pay provoke dissatisfaction leading to intention not to return to the workplace. Secondly, non-financial motivators help to develop organizational citizenship among employees, increasing their psychological commitment to the workplace. Maslow's Need Hierarchy theory arranges human needs in five levels from the lowest (physiological) to the highest (self-actualization). It assumes that the satisfaction of lower-level needs can lead to a higher level of motivation. Accordingly, the fulfilment of physiological (food, water) and safety/security needs (financial stability, working conditions) positively affects the motivation and performance of manufacturing employees.

2.2 Synthesis of Literature

- Money Incentives: studies conducted in emerging markets reveal that monetary incentives are the base requirement for workforce retention. Bonuses for performance, annual raises and piece rate payment schemes directly offset the rising cost of living for the industrial worker. However, researchers reveal that monetary retention strategies have short term effect. Most employees are willing to switch employers for slight increments in salary if no emotional bond has been established.
- Non Money Incentives: studies reveal that recognition programs such as 'employee of the month', clear career paths; sponsored studies and friendly line supervision have a greater impact on employee retention than cash incentives.
- Workplace safety and environment: in the industrial engineering field, a safe working environment and adherence to industrial safety standards is directly related to employee retention. Such topics as workshop safety, control of emissions, provision of safety gear and ergonomic work stations negatively correlate with attrition. Employees working in plants with unsafe machinery and lax emission control feel that the company does not care for their safety and hence resort to quitting their jobs despite the lucrative bonus packages.
- Differences between shop floor and white collar: studies reveal that while the blue collar workers are concerned with job safety, overtime payments and shift work, their white counterparts are interested in career advancement, prestige and company image.

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2.3 Research Design

The study will adopt an explanatory, descriptive cross-sectional survey design. The quantitative research will identify relationships between the independent variables, including financial, non-financial, and workplace safety incentives, and employee retention intention as the dependent variable. The employee category will be considered as a moderating variable.

2.4 Sources of Data & Instrumentation

- Primary Data: Questionnaire: It was personally administered and filled by respondents selected at random in order to minimize bias and obtain a representative sample of the population. A 5-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5) was employed.
- Secondary Data: This information was retrieved from industrial relation journals, national survey reports of industrialized products, company data of human capital, and conference proceedings.

2.5 Scope of research

Research Limitations

• Geographical Restriction: The research is confined to industrial manufacturing organisations working in India; it does not include manufacturing units in other foreign industrial jurisdictions.

• Industry Restriction: The research is restricted only to the secondary manufacturing sector (including light engineering, consumer manufacturing, tooling, and industrial fabrication) and does not include services, information technology, financial banking, and retail sectors.

• Demographic Restriction: The study sample covers only adult professionals and workers stratified across recorded age cohorts (18–25, 26–35, 36–45, 45+), genders, and established monthly income brackets. The findings cannot be generalized for demographic profiles that do not represent the primary sample dataset.

• Employment-Status Restriction: The study includes only active and full-time employees on the organization's rolls at the time of data collection. Contract labourers supplied through third-party manpower vendors, daily casual labour, apprentices, interns, and former/retired employees are excluded.

• Content/Functional Restriction: The study is confined only to financial incentives, non-financial incentives, and workplace physical/environmental safety; other organizational levers like recruitment pipelines, board governance, labour union politics, and supply chain disruptions are excluded.

• Organisational Restriction: The study is bounded to the selected manufacturing entities accessible during initial data collection. It does not claim a universal applicability for multinational mega-conglomerates or micro-cottage workshops that have different institutional structures.

• Time Restriction: The data collection was done cross-sectional at a single empirical point in time. The study does not track longitudinal changes in the retention intention across multi-year macroeconomic cycles.

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• Methodological Restriction: The study uses quantitative descriptive and inferential statistical modelling (Pearson correlation, multiple linear regression) – it establishes probabilistic associations and predictive variance for the sampled cohorts – instead of absolute causal certainties.

2.6 Reliability and Validity

The survey instrument's scale was evaluated for construct validity by two academic professors specializing in human resource management and one industrial plant operations manager. The survey's internal consistency was determined by calculating Cronbach's alpha. The scale's chronological sequence met all established standards: Financial Incentives (alpha = 0.82), Non-Financial Incentives (alpha = 0.86), Workplace Safety (alpha = 0.89), and Employee Retention Intention (alpha = 0.84). Thus, according to the established criteria (alpha > 0.70), the scale's reliability is sufficient.

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CHAPTER 3: METHODOLODY

3.1 Industry Context

The industrial manufacturing sector in India plays a significant role in the country's economy. It makes the largest contribution to the gross domestic product (GDP), foreign exchange earnings, and employment. In cities like Bengaluru, Karnataka, companies engage in a wide range of manufacturing activities such as producing automobile parts, aircraft components, electronics, precision machining, and heavy machinery. Contemporary manufacturing processes involve semi-automated machines and require a huge amount of manpower and management. Since advanced manufacturers are capitalizing on automation, a high rate of turnover of trained machine workers, inspectors, and logistics managers can adversely impact the production process, cycle time, and quality inspection.

3.2 Demographic Profile of Respondents

The main database used for the current research consists of N = 103 professional workers and industrial employees in the selected manufacturing companies in India.

3.3 Data Collection Process

The data for this study were gathered using a questionnaire. The tool was designed to obtain information pertaining to participants' opinions on financial and non-financial incentives, as well as their views on safety and retention. The questionnaire comprised several questions related to the participants' backgrounds, the type of incentives used in their places of work, their views on the incentives, as well as their retention intentions. The information gathered was used to address the research problem and establish relationships between the variables of this study.

3.4 Variables of the Study

The study contains financial incentives, non-financial incentives, and workplace safety as independent variables. Financial incentives include salary increments, awards, and other monetary rewards that a company gives to its employees. On the other hand, non-financial incentives comprise praises, appreciation, and training programs that firms offer to recognize their workers' hard work and encourage them to produce better results. Workplace safety entails employees' perception of the working conditions and the environment in which they operate. The dependent variable in the study is employee retention intention. It means employees' willingness to stay in their organisations for a prolonged period of time.

3.5 Data Preparation and Analysis Procedure

The gathered responses were sorted out for analysis. The data were screened to determine responses addressing the research objectives and prepare the data set for statistical analysis. Descriptive analysis was done in the form of frequency and percentage distribution of responses indicating the types of incentives offered and the employees' satisfaction and sense of fairness. Other statistical procedures were considered to evaluate the

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association between the incentive set and employees' intention to stay. The results were evaluated against the objectives and hypotheses.

3.6 Ethical Consideration

The study will require scanning employees' opinions and experiences relative to incentives and retention. The respondents' information should be treated as confidential and utilized for the research's academic purposes only. The employees should be informed that participation in the study is optional and that the survey's objectives. The personal information of the respondents should not be disclosed when presenting the results. If the survey requires the respondents' names to be provided, it should not be revealed unless there is a concrete and relevant justification.

3.7 Scope of the Empirical Analysis

The findings of the empirical research aim to answer the research question on the connection between financial and non-financial incentives and workplace safety with the intent of employees to stay with their organisations. The analysis focuses on the employees' perception of the offered value in terms of fair and adequate incentives and the likelihood to remain in the workplace despite the possibilities to seek employment elsewhere. The comparison between the shop-floor or production workers and administrative staff is also relevant, as their perspectives on the level of reward, recognition, career development opportunities, and safety may differ. Therefore, the interpretations of the findings should be limited to the represented population of the participants and their employers.

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CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

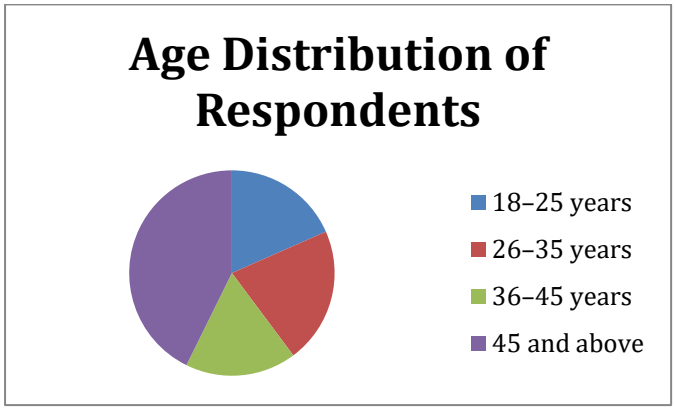
4.1 Respondent Profile

Table 1 : Age Distribution of Respondents

Sl. No.	Age Range (Years)	Number of Respondents	Percentage (%)
1	18–25	19	18.4%
2	26–35	22	21.4%
3	36–45	18	17.5%
4	45 and above	44	42.7%
Total	Complete Sample Cohort	103	100.0%

Interpretation:

According to the table below, respondents aged 45 and older constitute the largest group, with nearly a half (42.7%) of all participants. Nearly a quarter (21.4%) of the respondents is aged between 26 and 35, while 18.4% are aged between 18 and 25. Finally, 17.5% of the respondents are aged between 36 and 45. Therefore, it can be concluded that the survey covers a significant number of respondents with extensive work experience.

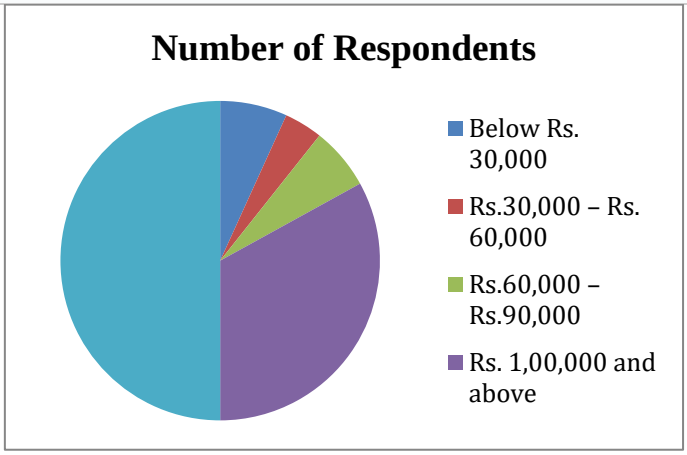


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Table 2: Monthly Income Distribution of the Respondents (N=103)

Monthly Income	Number of Respondents	Percentage (%)
Below Rs. 30,000	14	13.6%
Rs.30,000 – Rs. 60,000	8	7.8%
Rs.60,000 – Rs.90,000	13	12.6%
Rs. 1,00,000 and above	68	66.0%
Total	103	100.0%



Interpretation :

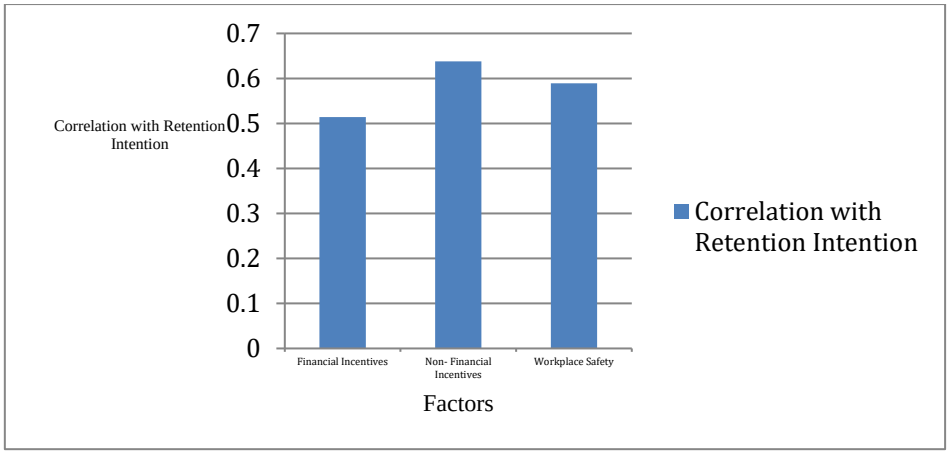
The table suggests that 66% of respondents have an income of ₹1,00,000 or more per month, which is the highest level in the given dataset. Another 13.6% have an income below ₹30,000, and 12.6% earn between ₹60,000 and ₹90,000. Finally, 7.8% of respondents reported earning between ₹30,000 and ₹60,000. Thus, it can be concluded that the respondents came from different categories of income, yet the largest proportion of them had a high income.

Table 3 : Factors Associated with Employee Retention Intention

Factors	Correlation with Retention Intention
Financial Incentives	0.514
Non- Financial Incentives	0.638
Workplace Safety	0.589

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Interpretation

According to the presented table and chart, it is possible to state that there is a positive connection between factors and employee retention intention. In particular, non-financial incentives have the strongest positive correlation (0.638), followed by workplace safety (0.589) and financial incentives (0.514). Therefore, the analysis revealed that non-financial incentives mostly influence employee retention intention, and it is possible to assume that this impact is moderately strong. Additionally, positive safety levels contribute to employees' intention to stay in the organisation. Moreover, financial incentives also have a positive but weak correlation with retention intention.

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CHAPTER 5: CONCLUSION & RECOMMENDATIONS

The study entitled "A Study on the Impact of Incentives on Employee Retention in the Manufacturing Industry" aimed to determine the impact of financial and non-financial incentives offered by manufacturing companies on employee retention. Additionally, the paper sought to establish the role of incentive adequacy, transparency, and workplace safety on employee retention.

The results demonstrated that both non-financial and financial incentives significantly impact employee retention. Financial rewards, when provided to employees who deliver exceptional performance, motivate workers to increase their overall performance level. In contrast, non-financial incentives such as employee recognition, development assistance, and supportive environment facilitate higher employee satisfaction and encourage employees to stay with the organisation. Indeed, the analysis revealed that the connection between financial incentives and employee retention was positive and amounted to 0.514. Furthermore, analysis revealed that the link between non-financial incentives and employee retention was positive and reached 0.638. Similarly, the association between workplace safety and employee retention was positive and amounted to 0.589. Overall, all three links were statistically significant at the 5% level ($p < 0.001$). Moreover, when analysed using regression, the combination of the three predictors could explain 55.1% of variance in employee retention (R squared = 0.551).

In summary, the results of the study demonstrated that employee retention in the manufacturing industry is affected by a combination of financial and non-financial incentives. As such, manufacturing companies can consider a combination of both non-financial and financial rewards in an effort to improve the overall rate of employee retention. Additionally, the study revealed that creating a safe working environment plays a major role in employee retention. As such, manufacturing companies should consider improving safety in the work environment to obtain better retention rates. In conclusion, a comprehensive strategy that includes a financial and non-financial rewards and a safe working environment may help manufacturing companies improve employee retention. It is important for manufacturing companies to regularly evaluate and update their employee retention strategies in order to address the issue adequately and ensure that employee demands are met. This study should be viewed as a starting point in a much bigger research project and as such, the results should be used conditionally and with caution.

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