



Evaluating the Effectiveness of Compensation Systems on Employee Motivation and Retention in Auto Parts Enterprises in Wuhan, China: Basis For Human Resource Optimization Strategy

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ABSTRACT

This study explores the effectiveness of compensation systems in enhancing employee motivation and retention within auto parts enterprises in Wuhan, China, aiming to provide a basis for human resource optimization strategies. Employing a quantitative-correlational research design, the study surveyed 379 employees from diverse demographic profiles and analyzed their perceptions of compensation systems, including monetary and non-monetary components such as benefits, career development opportunities, recognition, and equity. Findings revealed that compensation systems significantly influence employee motivation and retention, with monetary compensation, career development, and recognition being key factors. Notable differences were observed in the assessment of compensation effectiveness and motivation levels based on demographic variables, such as age, income, and tenure, underscoring the importance of tailored HR strategies. The study concludes with actionable recommendations for refining compensation practices, enhancing equity, and fostering professional growth to sustain workforce satisfaction and organizational competitiveness. Future research is recommended to examine longitudinal effects and cross-industry comparisons to broaden the understanding of compensation dynamics.

RESUMO

Este estudo explora a eficácia dos sistemas de remuneração no aumento da motivação e retenção de funcionários em empresas de autopeças em Wuhan, China, com o objetivo de fornecer uma base para estratégias de otimização de recursos humanos. Empregando um delineamento de pesquisa quantitativo-correlacional, o estudo entrevistou 379 funcionários de diversos perfis demográficos e analisou suas percepções sobre os sistemas de remuneração, incluindo componentes monetários e não monetários, como benefícios, oportunidades de desenvolvimento de carreira, reconhecimento e equidade. Os resultados revelaram que os sistemas de remuneração influenciam significativamente a motivação e a retenção de funcionários, sendo a remuneração monetária, o desenvolvimento de carreira e o reconhecimento fatores-chave. Diferenças notáveis foram observadas na avaliação da eficácia da remuneração e dos níveis de motivação com base em variáveis demográficas, como idade, renda e tempo de serviço, ressaltando a importância de estratégias de RH personalizadas. O estudo conclui com recomendações práticas para refinar as práticas de remuneração, aumentar a equidade e promover o crescimento profissional para sustentar a satisfação da força de trabalho e a competitividade organizacional. Pesquisas futuras são recomendadas para examinar os efeitos longitudinais e as comparações entre setores para ampliar a compreensão da dinâmica da remuneração.

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Introduction

The auto parts industry in Wuhan, China, serves as a crucial segment within the broader automotive sector, contributing significantly to the local and national economy. Wuhan, often referred to as the "Detroit of China," hosts a robust cluster of automotive and auto parts manufacturing enterprises, making it an ideal context for studying human resource practices (Fang & Liu, 2023). In an industry characterized by rapid technological advancements and intense competition, the ability to attract, motivate, and retain skilled employees is crucial for maintaining productivity and achieving sustained growth (Zhang et al., 2022).

Commensely known as the amalgamation of monetary and non-monetary returns, compensation systems are a core aspect of human resource management with a direct impact on employee behavior and organizational performance (Gerhart & Fang, 2015). Particularly, effective compensation systems may lead to a higher level of job satisfaction, motivation, and a lower intention to quit and thus ensure better organizational performance and stability (Zhang et al., 2022). Despite the established importance, only a few scholars have researched the effects of compensation within the auto parts manufacturing industry in Wuhan. Considering the above-mentioned, the overall gap clearly indicates the need to carry out research to understand whether the industry conditions in Wuhan demand changes in the compensation system. The current knowledge on compensation systems mainly refers to the general domain of industrial or servant sectors and can hardly be generalized to the auto parts industry. For example, the majority of authors advocate for a performance-based pay to keep employees encouraged and more productive.

On the other hand, Wei et al. (2019) only corroborate the findings and suggest that more is to be done about differentiation from the position of the fact that even a weak differentiation effect is not considered demoralizing in China. Concerning this, a lack of empirical data is present, particularly in the high-paid sectors. Additionally, the studies generally do not research all the components of the compensation systems, such as additional salary, bonuses, social guarantees, or non-monetary rewards (Fang & Liu, 2023).

Most prior studies on compensation systems have analyzed only certain aspects of the package, such as salary or benefits, and not the entire approach's effectiveness. The comprehensive set of components includes monetary compensation, benefits and perquisites, career development, recognition and rewards, and equity. The study fills the gap by studying the relationships between the identified components for compensation and their effect on motivation and retention. A more holistic approach to the issue can provide a better understanding of the interaction between these elements and their combined influence on motivation and retention. Additionally, not enough research has been done on the effects of demographic factors such as age, gender, civil status, education level, years of service in the industry, position, and salary group on the impact of perceptions of compensation on motivation and retention. Although the literature on compensation systems and retention is rich and varied, the mechanisms of information transmission and system effects have received rare attention. The study contributes to the literature on the topic (Zhang et al., 2022).

The research will thus address several gaps in the existing literature on compensation systems and their influence on motivation and retention (Wei et al., 2019). By assessing the impact of compensation on auto parts workers in Wuhan from a survey-based perspective, focusing on the various components of compensation, including demographic differences, offering detailed pathways possible from motivation systems, and giving evidence-based recommendations, this study will directly contribute to both industry practice and academic literature (Gupta & Shaw, 2014).

Apart from filling the primary research gap, the current study makes a notable contribution to the literature on human resource management in the manufacturing area (Fang & Liu, 2023). Due to the innovative operational and workforce dynamics of the auto parts industry, this context represents a suitable setting for understanding the complexities of compensation systems. Thus, the evidence generated by the research could be used to inform HR practices in the auto parts industry and related manufacturing sectors (Zhang et al., 2022).

Methodology

In assessing the relationship between the compensation systems and its impacts on employee motivation and retention in Wuhan's auto parts industry, a descriptive-correlational research design was employed. While the descriptive aspect was crucial in collecting some detailed demographic data and analyzing the effectiveness of the compensation system, the correlational aspect sought the association between the components of compensation and their anticipated outcomes in the employees. This arrangement was essential as it allowed for the comparison of the differences in the subject matter across different demographic characteristics and provided data and evidence for the tweaking of the human resource strategies (Creswell, 2014; Sekaran & Bougie, 2016).

This study, the participants were 379 people working in the 12 major auto parts enterprises in Wuhan. They were chosen using a stratified random sampling. It was essential to have detailed information on them in order to ensure that the final demographical outcome is appreciable. Based on some of the dimensions, it was concluded that since there was, the road was zero, meaning that there was small or no error in this study expenditures. The sample size was decided using the Raosoft Sample Size Calculator, and a 5% error margin at a 95% degree of confidence. The exercise total was stratified in line with the size of the companies (Zhao & Chen, 2022).

A survey questionnaire was used as the primary data collection tool in this research, and it was structured into four sections. The first section was on demographic information, the second one on compensation system effectiveness, the third on employee motivation, and the last part on the impact of compensation on motivation and retention. These measurements are validated instruments adapted from previous studies. The established measurement scales were adapted to suit this study, and an expert review was guided to ensure reliability. Cronbach's alpha confirmed that all the scales used had acceptable internal consistency. The data was collected using the secure online platform where one was required to make informed consent before reposing (Kumar, 2019).

The data was administered in six days through a computer-mediated survey distributed via secure online platforms. The human resource departments facilitated the dissemination of the survey questionnaire. Responses were anonymized to maintain confidentiality and data security measures were implemented to protect the participants' data.

Data analysis and interpretation were done using SPSS software. Descriptive statistics were used to describe the demographic characteristics and the compensation system's effectiveness. On the other hand, inferential statistics such as t-tests, ANOVA, and multiple regression analysis were also applied to show the differences between the compensation components and the dependent variables across the demographic characteristics. Since the collected data did not meet the normality assumptions, non-parametric tests were used.

The researcher also considered the rights of the participants. Informed consent forms were provided to the participants before administration, ensuring they understood the research objectives, procedures, and potential risks. Confidentiality and anonymity were strictly maintained, and participation was voluntary, allowing respondents to withdraw at any stage.

Results and Discussion

Demographic Profile of the Respondents

The demographic profile of respondents in Wuhan's auto parts enterprises provides essential insights into workforce diversity and its impact on compensation preferences, motivation, and retention. Table 1 presents the demographic distribution, highlighting variations in age, gender, income, educational attainment, job position, and industry tenure, which inform tailored compensation strategies.

Table 1.

Demographic profile of the respondents.

Demographic	Frequency	Percentage
Age		
18-25 years old	74	19.5%
26-35 years old	79	20.8%
36-45 years old	76	20.1%
46-56 years old	67	17.7%
57 years old and above	83	21.9%
Total	379	100.00%
Gender		
Male	Male	194
Female	Female	185
Total	379	100.00%
Income Bracket		
8,000 Yuan and below	81	21.4%
8,001-15,000 Yuan	77	20.3%
15,001-20,000 Yuan	79	20.8%
20,001-25,000 Yuan	28	7.4%
25,001-30,000 Yuan	29	7.7%
30,001-35,000 Yuan	29	7.7%
35,001-36,000 Yuan	29	7.7%
36,001 and above	27	7.1%
Total	379	100.00%
Highest Educational Attainment		
Elementary Level	2	0.5%
Vocational Level	67	17.7%
Vocational Graduate	150	39.6%
MA Level/Graduate	134	35.4%
Doctoral Level/Graduate	26	6.9%
Total	379	100.00%
Position		
Rank and File	70	18.5%
Technical	72	19.0%
Supervisory	84	22.2%
Managerial	78	20.6%
Executive	75	19.8%
Total	379	100.00%
Years of Working in the Auto Parts Industry		
1 year and below	79	20.8%
1 year to 3 years	127	33.5%
3 years to 6 years	62	16.4%
7 years to 10 years	61	16.1%
More than 10 years	50	13.2%
Total	379	100.00%

n=379

The age distribution indicates a balanced workforce, with the largest groups being 57 years and above (21.9%) and 26-35 years old (20.8%). This mix of experienced and younger employees suggests that compensation strategies must accommodate differing priorities, with older workers favoring job security and benefits, while younger employees seek career development and flexibility (Gupta & Shaw, 2014).

The gender distribution is nearly equal, with males at 51.2% and females at 48.8%. Research indicates that gender influences perceptions of compensation equity and job satisfaction, underscoring the need for gender-neutral pay structures to promote inclusivity and retention (Chen & Huang, 2020).

The majority of employees (62.5%) earn between 8,000–20,000 Yuan, clustering in the lower-middle salary range. Aligning pay with industry standards is crucial to improving retention, as employees in lower income brackets may feel undervalued (Wei et al., 2019).

Educational attainment data show that 39.6% of respondents hold vocational degrees, while 35.4% possess MA-level qualifications. Employees with higher education often seek professional growth opportunities, reinforcing the need for career development initiatives within compensation frameworks (Zhang et al., 2022).

Job position distribution reveals that 22.2% of respondents hold supervisory roles. Differentiated compensation strategies are necessary to meet the varied needs of managerial and non-managerial staff, with leadership roles benefiting from long-term incentives and rank-and-file employees preferring immediate rewards (Gerhart & Fang, 2015).

Industry tenure data indicate that 33.5% of respondents have been employed in the sector for 1 to 3 years, suggesting moderate workforce stability but potential early-career turnover. This aligns with global manufacturing trends, highlighting the need for targeted onboarding and engagement programs to improve retention among newer employees (Chen et al., 2022).

The findings emphasize the necessity of dynamic compensation strategies that account for generational preferences, gender equity, and career development expectations. By addressing these demographic factors, organizations can enhance job satisfaction, motivation, and long-term workforce stability.

Assessment of the Effectiveness of Compensation Systems in the Auto Parts Enterprises

The effectiveness of compensation systems in Wuhan's auto parts enterprises plays a crucial role in employee motivation and retention. Table 2 presents findings across five key dimensions: Monetary Compensation, Benefits and Perquisites, Career Development Opportunities, Recognition and Rewards, and Equity and Fairness. The overall weighted mean (WM) of 3.47, interpreted as "Effective," suggests that employees generally view their compensation positively, though variations exist across different components.

Table 2.
Assessment of the effectiveness of compensation systems
in the auto parts enterprises.

Parameter	WM	SD	Verbal Interpretation
6.1 Monetary Compensation			
1. I am satisfied with my current salary.	3.53	1.287	Effective
2. My salary reflects the responsibilities and workload of my position.	3.51	1.277	Effective
3. I believe my salary is competitive with similar positions in other companies.	3.46	1.297	Effective

4. I feel that my salary is reviewed and adjusted fairly and regularly.	3.47	1.300	Effective
5. My salary adequately supports my financial needs and lifestyle.	3.46	1.258	Effective
Overall Weighted Mean	3.49	1.071	Effective
6.2 Benefits and Perquisites			
1. I am satisfied with the health insurance provided by my employer.	3.43	1.246	Effective
2. The retirement benefits offered by my company are adequate for my future needs.	3.43	1.284	Effective
3. I feel that the additional perks (e.g., company car, gym membership) provided by my employer enhance my job satisfaction.	3.44	1.282	Effective
4. The vacation and paid time off policies are fair and sufficient.	3.41	1.287	Moderately Effective
5. The benefits package offered by my employer meets my personal and family needs.	3.49	1.306	Effective
Overall Weighted Mean	3.44	1.076	Effective
6.3 Career Development Opportunities			
1. I have ample opportunities for professional development and training.	3.44	1.257	Effective
2. My company provides clear paths for career advancement.	3.49	1.261	Effective
3. The organization invests in employee development programs that are relevant to my job.	3.56	1.282	Effective
4. I feel supported by my employer in pursuing further education or certifications.	3.50	1.216	Effective
5. There are frequent opportunities for me to take on new challenges and responsibilities at work.	3.50	1.242	Effective
Overall Weighted Mean	3.50	1.037	Effective
6.4 Recognition and Rewards			
1. I receive adequate recognition from my supervisors for my work achievements.	3.44	1.255	Effective
2. My company has a fair and transparent system for rewarding high performance.	3.49	1.273	Effective
3. I feel appreciated for the work I do in my organization.	3.48	1.275	Effective
4. The rewards and incentives offered by my company motivate me to perform better.	3.52	1.277	Effective
5. I believe that recognition at my workplace is given based on merit and performance.	3.50	1.271	Effective
Overall Weighted Mean	3.49	1.052	Effective
6.5 Equity and Fairness			
1. I believe that my compensation is fair compared to my colleagues with similar roles and responsibilities.	3.49	1.239	Effective

2. My employer promotes a culture of fairness and equity in the workplace.	3.49	1.250	Effective
3. I feel that my company addresses and rectifies any pay discrepancies promptly.	3.42	1.248	Moderately Effective
4. All employees are treated equally and without discrimination in terms of compensation.	3.43	1.233	Effective
5. The compensation policies at my workplace are clear and consistently applied.	3.42	1.244	Moderately Effective
Overall Weighted Mean	3.45	1.025	Effective
Overall Results	3.47	0.945	Effective

Interval: 1.00-1.80, Strongly Disagree/Very Ineffective; 1.81-2.61, Disagree/Ineffective; 2.62-3.42, Neither Agree nor Disagree /Moderately Effective; 3.43-4.23, Agree/Effective; 4.24-5.00, Strongly Agree/Very Effective

Monetary compensation received a WM of 3.49, indicating general satisfaction with salary structures, fairness in salary reviews, and competitiveness. This aligns with research by Gupta and Shaw (2014), which emphasizes that competitive and transparent compensation enhances job satisfaction and retention. However, salary competitiveness (WM = 3.46) remains an area for improvement, necessitating periodic benchmarking and structured salary adjustments.

Benefits and perquisites were rated with a WM of 3.44, signifying effectiveness, particularly in health insurance satisfaction (WM = 3.43) and benefits packages (WM = 3.49). However, vacation policies (WM = 3.41) were rated as "Moderately Effective," suggesting room for improvement in work-life balance offerings. As noted by Wei et al. (2019), enhancing benefit flexibility and ensuring equitable access to leave policies can significantly improve employee retention.

Career development opportunities received the highest rating (WM = 3.50), underscoring the importance of professional growth in employee retention. Investments in development programs (WM = 3.56) were particularly well received, aligning with Zhang et al. (2022), who suggest that clear advancement paths and continuous learning opportunities enhance commitment. Companies could further strengthen this area through mentorship programs and cross-training initiatives.

Recognition and rewards were also rated as "Effective" (WM = 3.49), with strong scores for motivational impact (WM = 3.52) and merit-based recognition (WM = 3.50). These findings support Gerhart and Fang (2015), who argue that transparent and well-structured recognition programs improve job performance and morale. Expanding non-monetary recognition methods, such as public acknowledgment and career incentives, may further enhance engagement.

Table 3 highlights employee perceptions of equity and fairness, which achieved a WM of 3.45. While generally effective, concerns remain over addressing pay discrepancies (WM = 3.42) and consistency in compensation policies (WM = 3.42). As Chen et al. (2020) suggest, perceived inequity can negatively impact morale and retention. Regular audits, transparent communication, and structured compensation policies can improve perceptions of fairness.

Table 3.

Summary of assessment of the effectiveness of compensation systems in the auto parts enterprises.

Parameter	WM	SD	Verbal Interpretation
Monetary Compensation	3.49	1.071	Effective
Benefits and Perquisites	3.44	1.076	Effective
Career Development Opportunities	3.50	1.037	Effective
Recognition and Rewards	3.49	1.052	Effective
Equity and Fairness	3.45	1.025	Effective
Overall Results	3.47	0.945	Effective

Interval: 1.00-1.80, Strongly Disagree/Very Ineffective; 1.81-2.61, Disagree/Ineffective; 2.62-3.42, Neither Agree nor Disagree /Moderately Effective; 3.43-4.23, Agree/Effective; 4.24-5.00, Strongly Agree/Very Effective

In general, the compensation system in Wuhan's auto parts enterprises is deemed effective, particularly in career development and recognition. However, refinements in equity policies, vacation benefits, and salary competitiveness could further enhance employee satisfaction and retention. Implementing a total rewards strategy that integrates financial, developmental, and recognition-based elements can foster long-term workforce stability and motivation.

Assessment of Employee Motivation and Retention in the Auto Parts Enterprises

Employee motivation and retention are critical in ensuring long-term workforce stability and productivity in auto parts enterprises. Table 4 presents findings across five key parameters: Job Satisfaction, Intrinsic Motivation, Organizational Commitment, Work-Life Balance, and Career Development and Growth. The overall weighted mean (WM) of 3.46, interpreted as "Very High Motivation and Retention," indicates that employees generally perceive their work environment as conducive to engagement and long-term commitment.

Table 4.

Assessment of employee motivation and retention in the auto parts enterprises.

Parameter	WM	SD	Verbal Interpretation
8.1 Job Satisfaction			
1. I am satisfied with my current job role and responsibilities.	3.44	1.232	Very High Motivation and Retention
2. My work gives me a sense of accomplishment.	3.56	1.276	Very High Motivation and Retention
3. I enjoy the tasks and activities involved in my job.	3.51	1.246	Very High Motivation and Retention
4. I am satisfied with the working conditions in my workplace.	3.44	1.221	Very High Motivation and Retention
5. I feel valued and respected at my job.	3.48	1.294	Very High Motivation and Retention
Overall Weighted Mean	3.48	1.052	Very High Motivation and

			Retention
8.2 Intrinsic Motivation			
1. I feel motivated to perform my job because I find the work interesting.	3.41	1.268	Moderate Motivation and Retention
2. I take pride in doing my job well, regardless of external rewards.	3.42	1.269	Moderate Motivation and Retention
3. My job allows me to use my skills and abilities to their fullest extent.	3.39	1.296	Moderate Motivation and Retention
4. I feel a strong sense of personal achievement from my work.	3.49	1.296	Very High Motivation and Retention
5. I am driven to improve my performance because of my personal goals.	3.44	1.267	Very High Motivation and Retention
Overall Weighted Mean	3.43	1.062	Very High Motivation and Retention
8.3 Organizational Commitment			
1. I feel a strong sense of loyalty to my organization.	3.46	1.256	Very High Motivation and Retention
2. I am proud to be a part of this company.	3.40	1.282	Moderate Motivation and Retention
3. I see a long-term future for myself within this organization.	3.49	1.310	Very High Motivation and Retention
4. I am willing to put in extra effort to help my organization succeed.	3.44	1.294	Very High Motivation and Retention
5. I would recommend my company as a great place to work to others.	3.50	1.316	Very High Motivation and Retention
Overall Weighted Mean	3.46	1.088	Very High Motivation and Retention
8.4 Work-Life Balance			
1. My job allows me to balance my work and personal life effectively.	3.45	1.260	Very High Motivation and Retention
2. I am satisfied with the amount of time I have for my family and hobbies.	3.43	1.316	Very High Motivation and Retention
3. My employer supports my need for a healthy work-life balance.	3.50	1.294	Very High Motivation and Retention
4. I rarely feel stressed about managing my work and personal responsibilities.	3.47	1.250	Very High Motivation and Retention
5. The workload at my job is manageable and does not interfere with my personal life.	3.54	1.230	Very High Motivation and Retention
Overall Weighted Mean	3.48	1.061	Very High Motivation and Retention
8.5 Career Development and Growth			
1. I have opportunities for advancement in my career within this company.	3.50	1.326	Very High Motivation and Retention
2. My employer provides the resources and support needed for my professional growth.	3.43	1.263	Very High Motivation and Retention

3. I feel encouraged to pursue further education and training.	3.43	1.250	Very High Motivation and Retention
4. There are clear career progression paths in my organization.	3.42	1.349	Moderate Motivation and Retention
5. I am satisfied with the development programs offered by my employer to enhance my skills.	3.48	1.269	Very High Motivation and Retention
Overall Weighted Mean	3.45	1.079	Very High Motivation and Retention
Overall Results	3.46	0.978	Very High Motivation and Retention

Interval: 1.00-1.80, Strongly Disagree/Very Low Motivation and Retention; 1.81-2.61, Disagree/Low Motivation and Retention; 2.62-3.42, Neither Agree nor Disagree /Moderate Motivation and Retention; 3.43-4.23, Agree/High Motivation and Retention; 4.24-5.00, Strongly Agree/Very High Motivation and Retention

Job satisfaction received a WM of 3.48, with high ratings for a sense of accomplishment (WM = 3.56) and enjoyment of tasks (WM = 3.51). These findings align with Herzberg's Two-Factor Theory, which emphasizes the role of intrinsic motivators such as meaningful work and recognition in fostering satisfaction (Herzberg, 1966). Organizations can further enhance job satisfaction by implementing periodic job enrichment initiatives and structured feedback mechanisms.

Intrinsic motivation was rated with a WM of 3.43, indicating strong internal drive among employees. Employees rated personal achievement (WM = 3.49) and goal-driven performance (WM = 3.44) highly, though slightly lower scores were observed for task interest (WM = 3.41) and skill utilization (WM = 3.39). According to Deci and Ryan's (1985) Self-Determination Theory, fostering autonomy and alignment between tasks and employee strengths could enhance intrinsic motivation further.

Table 5 provides an assessment of organizational commitment, which received a WM of 3.46, signifying high employee loyalty and pride in their workplace. Employees rated long-term career prospects (WM = 3.49) and willingness to recommend the organization (WM = 3.50) highly, reinforcing Meyer and Allen's (1991) model that affective commitment strengthens workforce retention. Transparent communication and team-building initiatives could further deepen these organizational ties.

Table 5.

Summary of assessment of employee motivation and retention in the auto parts enterprises.

Parameter	WM	SD	Verbal Interpretation
Job Satisfaction	3.48	1.052	Very High Motivation and Retention
Intrinsic Motivation	3.43	1.062	Very High Motivation and Retention
Organizational Commitment	3.46	1.088	Very High Motivation and Retention
Work-Life Balance	3.48	1.061	Very High Motivation and Retention
Career Development and Growth	3.45	1.079	Very High Motivation and Retention
Overall Results	3.46	0.978	Very High Motivation and Retention

Interval: 1.00-1.80, Strongly Disagree/Very Low Motivation and Retention; 1.81-2.61, Disagree/Low Motivation and Retention; 2.62-3.42, Neither Agree nor Disagree /Moderate Motivation and Retention; 3.43-4.23, Agree/High Motivation and Retention; 4.24-5.00, Strongly Agree/Very High Motivation and Retention

Motivation and Retention; 3.43-4.23, Agree/High Motivation and Retention; 4.24-5.00, Strongly Agree/Very High Motivation and Retention

Work-life balance was rated highly with a WM of 3.48, reflecting employee satisfaction with workload management (WM = 3.54) and employer support (WM = 3.50). These findings are consistent with Greenhaus and Powell (2006), who emphasized that balanced workplace policies significantly impact job satisfaction and retention. Introducing flexible work arrangements and stress-management initiatives could sustain these positive perceptions.

Career development and growth received a WM of 3.45, indicating strong recognition of advancement opportunities. Employees valued development programs (WM = 3.48), though slightly lower ratings were given to career progression clarity (WM = 3.42). Zhang et al. (2022) highlight that structured career pathways contribute to retention, and enhancing transparency in promotion criteria through mentorship programs and leadership training could address this gap.

The overall WM of 3.46 reflects a “Very High Motivation and Retention,” with strong satisfaction across all parameters. While organizational strategies effectively promote engagement and commitment, improvements in career progression clarity and task alignment could enhance motivation further. By refining these areas, auto parts enterprises in Wuhan can sustain a highly engaged and committed workforce, reinforcing long-term stability and productivity.

Significant Difference between the Assessment of the Effectiveness of Compensation Systems and Employee Motivation and Retention in Auto Parts Enterprises in Wuhan, China based on the Demographic Profile

The relationship between demographic factors and employees' perceptions of compensation systems is essential for developing equitable human resource strategies. Table 10 presents the Mann-Whitney U Test results, examining gender-based differences in the assessment of compensation systems and employee motivation and retention. The p-values (.445 and .241) exceed the 0.05 significance threshold, indicating no statistically significant differences between male and female employees. This aligns with Gupta et al. (2020), suggesting that equitable compensation policies mitigate gender-based perception differences. While the findings reflect fairness, organizations should continue monitoring gender-specific feedback to address any emerging concerns, Table 6.

Table 6.

Test of significant difference between the assessment of the effectiveness of compensation systems and employee motivation and retention in auto parts enterprises in Wuhan, China when grouped according to gender (Mann Whitney Test).

Variables		p-value	Decision	Conclusion
Assessment of the effectiveness of compensation systems	Male	.445	Retain Ho	Not Significant
	Female			
Employee motivation and retention in auto parts enterprises	Male	.241	Retain Ho	Not Significant
	Female			

Reject Ho if $p < 0.05$

Table 7 presents the Kruskal-Wallis Test results analyzing differences in compensation system effectiveness and employee motivation based on age groups. The p-values (.001 and < .001) indicate statistically significant differences. This supports Singh and Loncar (2010), who found that compensation preferences vary across career stages, with younger employees prioritizing salary competitiveness and older employees valuing stability and retirement benefits. Organizations should implement age-sensitive compensation strategies, such as tiered benefit packages and career development programs tailored to different age groups.

Table 7.

Test of significant difference between the assessment of the effectiveness of compensation systems and employee motivation and retention in auto parts enterprises in Wuhan, China when grouped according to age (Kruskal Wallis Test).

Variables		p-value	Decision	Conclusion
Assessment of the effectiveness of compensation systems	18-25 years old	.001	Reject Ho	Significant
	26-35 years old			
	36-45 years old			
	46-56 years old			
	57 years old and above			
Employee motivation and retention in auto parts enterprises	18-25 years old	<.001	Reject Ho	Significant
	26-35 years old			
	36-45 years old			
	46-56 years old			
	57 years old and above			

Reject Ho if $p < 0.05$

Table 8 examines differences in compensation perceptions across income brackets, with significant p-values (< .001 for both variables). This finding aligns with Milkovich et al. (2013), emphasizing that lower-income employees prioritize financial rewards, while higher-income employees value career growth and flexibility. Organizations should adopt income-sensitive HR strategies by enhancing direct financial incentives for lower-income employees and offering leadership training and executive benefits for higher earners.

Table 8.

Test of significant difference between the assessment of the effectiveness of compensation systems and employee motivation and retention in auto parts enterprises in Wuhan, China when grouped according to income bracket (Kruskal Wallis Test)

Variables		p-value	Decision	Conclusion
Assessment of the effectiveness of compensation systems	8,000 Yuan and below	<.001	Reject Ho	Significant
	8,001-15,000 Yuan			
	15,001-20,000 Yuan			
	20,001-25,000 Yuan			
	25,001-30,000 Yuan			
	30,001-35,000 Yuan			

Employee motivation and retention in auto parts enterprises	35,001-36,000 Yuan	<.001	Reject Ho	Significant
	36,001 and above			
	8,000 Yuan and below			
	8,001-15,000 Yuan			
	15,001-20,000 Yuan			
	20,001-25,000 Yuan			
	25,001-30,000 Yuan			
	30,001-35,000 Yuan			
	35,001-36,000 Yuan			
	36,001 and above			
<i>Reject Ho if $p < 0.05$</i>				

Table 9 presents the Kruskal-Wallis Test results on educational attainment, showing no significant differences in compensation perceptions ($p = .039$) but significant differences in motivation and retention ($p < .001$). The lack of disparity in compensation system perceptions aligns with Milkovich et al. (2013), indicating that equitable pay structures reduce educational background biases. However, the significant differences in motivation suggest that employees with higher education expect more career advancement opportunities (Wei et al., 2019). Addressing these gaps through structured career pathways and professional development programs can enhance retention among highly educated employees.

Table 9.

Test of significant difference between the assessment of the effectiveness of compensation systems and employee motivation and retention in auto parts enterprises in Wuhan, China when grouped according to highest educational attainment (Kruskal-Wallis Test).

	Variables	p-value	Decision	Conclusion
Assessment of the effectiveness of compensation systems	Elementary Level	.039	Retain Ho	Not Significant
	Vocational Level			
	Vocational Graduate			
	MA Level/Graduate			
	Doctoral			
	Level/Graduate			
Employee motivation and retention in auto parts enterprises	Elementary Level	<.001	Reject Ho	Significant
	Vocational Level			
	Vocational Graduate			
	MA Level/Graduate			
	Doctoral			
	Level/Graduate			

Reject Ho if $p < 0.05$

Table 10 evaluates differences in compensation perceptions across job positions. The p-values (.424 and .123) indicate no significant differences, suggesting that compensation policies are perceived as fair across hierarchical levels (Milkovich et al., 2013). While the findings reflect equity, organizations should refine compensation structures to address role-specific priorities, such as performance incentives for technical staff and leadership rewards for executives.

Table 10.

Test of significant difference between the assessment of the effectiveness of compensation systems and employee motivation and retention in auto parts enterprises in Wuhan, China when grouped according to position (Kruskal-Wallis Test).

Variables		p-value	Decision	Conclusion
Assessment of the effectiveness of compensation systems	Rank and File	.424	Retain Ho	Not Significant
	Technical			
	Supervisory			
	Managerial			
	Executive			
Employee motivation and retention in auto parts enterprises	Rank and File	.123	Retain Ho	Not Significant
	Technical			
	Supervisory			
	Managerial			
	Executive			

Reject Ho if $p < 0.05$

Table 11 analyzes differences based on tenure, revealing significant p-values (.004 and .019). These findings align with Kooij et al. (2011), who argue that newer employees prioritize immediate financial incentives, while tenured employees value long-term benefits. Organizations should implement tenure-sensitive strategies, such as competitive starting salaries for new employees and enhanced retirement plans for long-serving staff, to strengthen retention and motivation.

Table11.

Test of significant difference between the assessment of the effectiveness of compensation systems and employee motivation and retention in auto parts enterprises in Wuhan, China when grouped according to years of working in the auto parts industry (Kruskal-Wallis Test).

Variables		p-value	Decision	Remarks
Assessment of the effectiveness of compensation systems	1 year and below	.004	Reject Ho	Significant
	1 year to 3 years			
	3 years to 6 years			
	7 years to 10 years			
	More than 10 years			
Employee motivation and retention in auto parts enterprises	1 year and below	.019	Reject Ho	Significant
	1 year to 3 years			
	3 years to 6 years			
	7 years to 10 years			
	More than 10 years			

Reject Ho if $p < 0.05$

The results highlight the importance of demographic-specific approaches in compensation and retention strategies. While gender and job position do not significantly impact perceptions, age, income, education, and tenure play a crucial role in shaping employee expectations. By adopting targeted HR policies, organizations can enhance motivation, retention, and overall workforce satisfaction.

Significant Relationship between the Assessment of the Effectiveness of Compensation Systems and Employee Motivation and Retention in Auto Parts Enterprises in Wuhan, China

The relationship between compensation systems and employee motivation and retention plays a crucial role in workforce stability and organizational success. Table 12 presents the results of Spearman's Rho Correlation, revealing a significant positive relationship ($\rho = .605$, $p < .001$) between employees' perceptions of compensation system effectiveness and their motivation and retention levels. This finding suggests that higher satisfaction with compensation systems correlates with increased motivation and reduced turnover rates.

Table 12.

Test of relationship between assessment of the effectiveness of compensation systems and employee motivation and retention in auto parts enterprises in Wuhan, China.

		Employee motivation and retention in auto parts enterprises	Interpretation
Assessment of the effectiveness of compensation systems	Spearman Rho	.605	SIGNIFICANT
	Correlation		
	Sig. (2-tailed)	<.001	
	N	379	

Correlation is significant at the 0.01 level (2-tailed); Based on the analysis conducted using the Spearman-Rho correlation, there is a significant relationship (Spearman's $\rho = .605$, $p < .001$) between K Assessment of the effectiveness of compensation systems and Employee motivation and retention in auto parts enterprises

The strong correlation ($\rho = .605$) underscores the importance of well-structured compensation systems in fostering employee commitment. This aligns with Gupta and Shaw (2014), who emphasize that fair and transparent compensation, including competitive salaries, benefits, and recognition, enhances job satisfaction and reduces turnover. Organizations should integrate both monetary and non-monetary incentives to maximize motivation and retention.

The statistical significance ($p < .001$) confirms that the relationship is highly reliable, consistent with the findings of Jiang et al. (2021), which identify compensation as a primary factor influencing retention, especially in specialized industries like auto parts manufacturing. This highlights the necessity for enterprises to continuously review and improve compensation practices to remain competitive and responsive to workforce needs.

The results affirm that compensation effectiveness is a key driver of employee motivation and retention. To leverage this relationship, organizations should implement holistic compensation strategies that address salary competitiveness, career development opportunities, and recognition programs. By doing so, auto parts enterprises in Wuhan can enhance employee engagement, reduce turnover, and improve long-term organizational performance.

Proposed Human Resource Optimization Strategy

Figure 1 shows a strategy that emphasizes a structured yet flexible approach to compensation reform in Wuhan's auto parts industry. The strategy responds to the strong positive correlation between compensation effectiveness and employee retention, and the observed demographic differences in motivation drivers. The proposed strategy is structured around five core pillars:

Demographic-Tailored Compensation

Recognizing that motivation varies across age, income, and career stages, the strategy recommends differentiated compensation packages. Younger employees (18–25) benefit from mentorship and rapid development paths; mid-career employees (26–45) receive bonuses and family-related benefits; older employees (46+) are offered retirement plans and recognition for tenure. Compensation is also adjusted for income brackets—lower-income groups receive skill-based wage increases and subsidies, while higher-income groups gain access to equity incentives and flexible work arrangements.

Career Development Initiatives

Clear career progression, transparent promotion criteria, and leadership development programs are essential for fostering long-term commitment. Upskilling opportunities are aligned with the evolving demands of the auto parts sector.

Recognition and Rewards

The system integrates merit-based rewards (e.g., bonuses and promotions), non-monetary recognition (e.g., appreciation and awards), and peer-nominated programs, fostering a culture of acknowledgment and engagement.

Work-Life Balance Programs

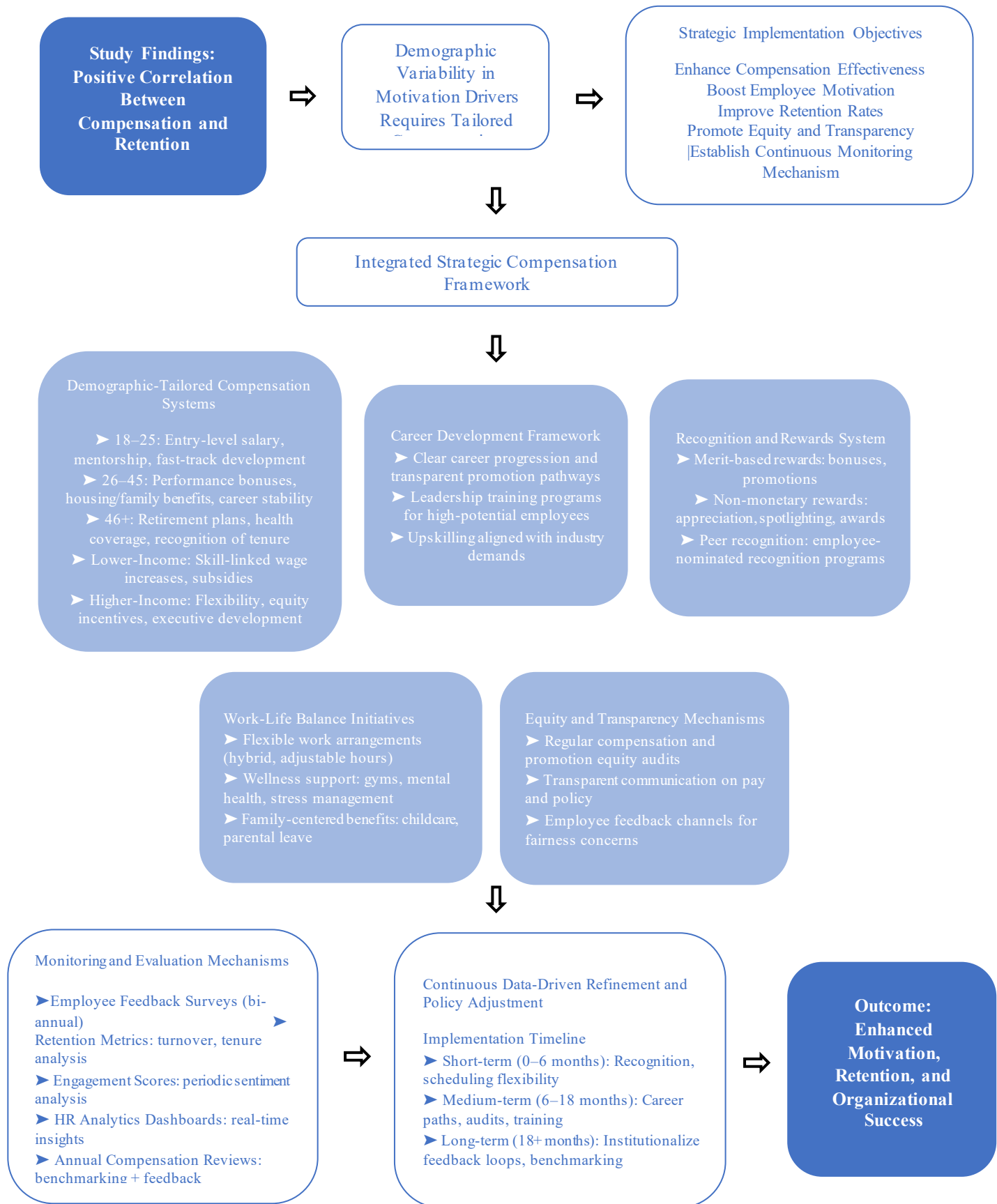
Flexible scheduling, wellness support, and family-centered benefits such as childcare and parental leave are designed to support employee well-being and reduce stress, contributing to retention and satisfaction.

Equity and Transparency Mechanisms

Regular equity audits, open communication about compensation policies, and dedicated feedback channels ensure fairness and foster trust across the workforce. Monitoring and evaluation mechanisms such as bi-annual surveys, HR dashboards, and turnover analysis enable continuous improvement. Implementation is phased: short-term actions include flexibility and recognition, medium-term focuses on career development and audits, while long-term efforts institutionalize feedback loops and policy adjustments.

In summary, this strategy offers a data-driven, employee-centered approach to human resource management—aligning compensation systems with employee expectations to drive higher motivation, equitable practices, and sustained organizational success.

Figure 1.
Framework Strategy for Transforming Compensation Systems to Enhance Motivation and Retention in Auto Parts Enterprises in Wuhan, China



Conclusion

The study concludes that employees in Wuhan's auto parts enterprises generally view their compensation systems as effective, particularly in terms of salary, benefits, and career development. Motivation and retention levels are high, supported by job satisfaction and work-life balance. However, disparities in perception based on age, income, tenure, and education reveal the need for demographic-sensitive approaches. A strong correlation between effective compensation and employee motivation and retention further reinforces the importance of strategic human resource practices.

In response, the study recommends implementing a tailored human resource strategy. This includes customizing compensation for different age and income groups—such as fast-track growth for younger employees, retirement plans for older workers, and flexible benefits for high earners. Career development should be prioritized through transparent promotion pathways and leadership training. Recognition systems must go beyond financial rewards to include non-monetary and peer-based recognition. Promoting equity requires regular audits and clear communication around pay and promotion policies.

Work-life balance should be supported through flexible work options and wellness programs, while continuous monitoring through surveys and HR analytics will ensure responsiveness to employee needs. Finally, future research should explore long-term impacts of demographic-specific strategies and compare practices across industries and cultures to broaden insights into compensation effectiveness. By adopting these integrated strategies, organizations can foster a motivated and loyal workforce, supporting long-term performance and competitiveness.

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