

The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

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ABSTRACT

Employee retention has become a major challenge for industries worldwide, particularly in competitive sectors like automobile manufacturing. This research investigates the impact of compensation on retaining skilled employees in the automobile sector of SIDCUL, Rudrapur, Uttarakhand. The study explores how various components of compensation, including salary, benefits, performance incentives, and non-monetary rewards, influence employee retention. Through a quantitative research design involving surveys with employees from different automobile companies in SIDCUL, the study establishes a strong correlation between compensation satisfaction and employee retention. The findings highlight the need for competitive and structured compensation packages to reduce turnover and retain a skilled workforce.

Keywords: Employee Retention, Compensation, Skilled Employees, Automobile Sector, SIDCUL, Rudrapur, Uttarakhand

The automobile industry has been a critical pillar of India's industrial development, contributing significantly to economic growth, employment generation, and technological innovation. As one of the largest automobile markets in the world, India has witnessed substantial investments in automobile manufacturing hubs, with SIDCUL (State Infrastructure and Industrial Development Corporation of Uttarakhand Limited) in Rudrapur emerging as a key player in the northern region. SIDCUL, Rudrapur, established with the aim of promoting industrial growth in Uttarakhand, has attracted numerous national and multinational automobile companies. These companies have contributed to job creation and regional development; however, they also face the pressing challenge of retaining a skilled workforce. Skilled employees, including engineers, technicians, and machine operators, play an integral role in ensuring operational efficiency, maintaining product quality, and driving innovation within the automobile sector.

Employee retention, particularly of skilled workers, has become increasingly important in SIDCUL due to heightened competition, easy access to alternative employment opportunities, and workforce mobility within and outside the industrial cluster. High attrition rates not only disrupt business operations but also result in significant recruitment, training, and productivity costs. Among the multiple factors influencing employee retention, compensation has been widely recognized as a critical determinant. Compensation, encompassing both monetary

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The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

elements such as salary, incentives, and benefits, as well as non-monetary aspects like recognition and career growth opportunities, directly affects employee satisfaction, motivation, and loyalty.

According to Milkovich and Newman (2020), compensation systems that are fair, competitive, and transparent contribute significantly to employee satisfaction and retention. Similarly, Armstrong (2017) highlights that organizations that offer attractive compensation packages, including benefits and incentives, tend to experience lower turnover rates. Dessler (2019) further emphasizes that in highly competitive industries, compensation is often the primary factor influencing an employee's decision to stay or leave. In the context of the automobile sector, where skilled labor is essential for maintaining productivity and quality, organizations must design attractive compensation structures to mitigate attrition. Studies by Sharma and Kumar (2021) specifically emphasize the challenges of retaining technical and production staff in industrial clusters like SIDCUL, where alternative employment opportunities are readily available.

Thus, understanding the impact of compensation on retaining skilled employees in SIDCUL's automobile sector is essential for both organizational success and regional economic stability. This research seeks to examine how compensation influences retention decisions among skilled employees, identify the key components of compensation that matter most, and propose actionable recommendations for improving retention through effective compensation strategies.

REVIEW OF LITERATURE-

Employee retention is a critical concern for organizations, particularly in industries that rely heavily on skilled labor, such as the automobile sector. Among the various factors influencing retention, compensation has been consistently recognized as a significant determinant. This section reviews existing literature on the relationship between compensation and employee retention, with a specific focus on industrial and automobile sectors.

Milkovich and Newman (2020) emphasized that compensation is not merely limited to wages but encompasses a comprehensive package including base pay, incentives, benefits, and non-financial rewards. They argued that competitive compensation structures play a crucial role in enhancing job satisfaction and reducing employee turnover.

Armstrong (2017) highlighted that while monetary rewards are essential, organizations must adopt a total rewards approach, combining financial and non-financial rewards to enhance employee commitment and retention. He pointed out that recognition, opportunities for career advancement, and work-life balance are equally vital in retaining skilled employees.

According to Gupta and Shaw (2014), compensation is often perceived by employees as an indicator of organizational fairness and appreciation. Their research found that employees who feel fairly compensated are more likely to exhibit loyalty and a lower intention to quit, especially in industries where specialized skills are critical.

In the Indian context, Sharma and Kumar (2021) studied employee retention strategies in industrial clusters like SIDCUL, Rudrapur. Their findings suggest that competitive

The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

compensation packages, coupled with performance-based incentives and career development opportunities, significantly enhance employee retention in the manufacturing sector.

Kaur (2017) investigated retention challenges in the Indian manufacturing industry and concluded that inadequate compensation is one of the leading causes of employee turnover. She emphasized the importance of conducting regular salary benchmarking and offering industry-aligned compensation packages to retain skilled workers.

A study by Singh and Dixit (2019) on Indian automobile companies revealed a strong inverse relationship between compensation satisfaction and turnover intentions. The authors noted that in high-demand industries such as automobile manufacturing, employees are more likely to switch jobs if their compensation expectations are unmet.

Dessler (2019) also argued that compensation is a powerful retention tool, particularly in competitive industries. He advocated for organizations to periodically assess and revise their compensation policies to remain attractive to skilled employees.

Kumar and Mehta (2020) explored the role of non-monetary compensation in employee retention and found that aspects such as recognition programs, flexible working arrangements, and opportunities for skill enhancement significantly contribute to retention, especially among technical staff.

Furthermore, Herzberg's Two-Factor Theory (Herzberg, 1968) provides a theoretical foundation for understanding the role of compensation. Herzberg classified compensation as a hygiene factor, which, if absent or perceived as unfair, leads to dissatisfaction and higher attrition. However, its presence alone does not guarantee motivation but is essential for retention.

The literature consistently demonstrates that both monetary and non-monetary components of compensation significantly influence employee retention. However, there remains a gap in research concerning how these factors operate within the unique context of industrial clusters like SIDCUL, Rudrapur, particularly in the automobile sector. This study seeks to address that gap by examining the specific impact of compensation on the retention of skilled employees in this region.

RESEARCH OBJECTIVES -

- 1.1 To analyze the relationship between compensation and employee retention among skilled employees in the automobile sector of SIDCUL, Rudrapur.
- 1.2 To identify the key components of compensation (such as salary, benefits, incentives, and non-monetary rewards) that significantly influences employee retention in the region.
- 1.3 To assess the level of satisfaction among skilled employees regarding their current compensation packages in SIDCUL's automobile industry.
- 1.4 To examine the role of non-monetary compensation factors, such as recognition, career development opportunities and work-life balance in retaining skilled employees.

The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

RESEARCH METHODOLOGY -

1 Research Design -

This study adopts a **descriptive and quantitative research design**, as it aims to examine the impact of compensation on the retention of skilled employees in the automobile sector of SIDCUL, Rudrapur. The research seeks to quantify the relationship between various components of compensation and employee retention and provide insights for managerial decision-making.

2 Research Approach -

The study follows a **survey-based approach**, utilizing structured questionnaires to collect primary data from skilled employees working in the automobile sector of SIDCUL, Rudrapur. The quantitative approach is chosen to statistically analyze employee perceptions regarding compensation and its influence on their retention.

3 Study Area -

The study is conducted in **SIDCUL (State Infrastructure and Industrial Development Corporation of Uttarakhand Limited), Rudrapur**, a major industrial hub in Uttarakhand. SIDCUL has witnessed significant growth in the automobile sector, hosting several national and multinational automobile companies.

4 Population and Sampling -

The target population for the study includes **skilled employees** such as engineers, technicians, production supervisors, and machine operators employed in the automobile companies operating in SIDCUL, Rudrapur.

4.1 Sampling Technique

A **stratified random sampling** technique is employed to ensure representation of different categories of skilled employees within various automobile companies. This approach helps in minimizing sampling bias and provides a comprehensive understanding of employee perspectives across job roles.

4.2 Sample Size

A total of **150 skilled employees** are selected as the sample for the study. The sample size is considered adequate to provide reliable statistical results while being manageable in terms of data collection.

4.5 Sources of Data -

The study relies on both **primary and secondary data**:

- **Primary Data:** Collected through structured questionnaires distributed to the selected employees.

The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

- **Secondary Data:** Obtained from company reports, academic journals, industry publications, and previous research studies relevant to compensation and employee retention.

6 Data Collection Instrument -

A **structured questionnaire** is designed for data collection. The questionnaire consists of three sections:

1. **Demographic Information:** Age, gender, educational qualifications, job position, and years of experience.
2. **Compensation Factors:** Questions related to salary satisfaction, benefits, incentives, non-monetary rewards, and overall compensation satisfaction.
3. **Retention Factors:** Questions assessing employee intentions to stay, job satisfaction, and factors influencing their decision to remain with the organization.

A **5-point Likert scale** (ranging from Strongly Disagree to Strongly Agree) is used to measure employee perceptions regarding compensation and retention factors.

7 Data Analysis Techniques -

The collected data is analyzed using **statistical techniques** with the help of software such as SPSS or MS Excel. The following methods are applied:

- **Descriptive Statistics:** To summarize demographic profiles and general trends.
- **Correlation Analysis:** To examine the relationship between compensation and employee retention.
- **Regression Analysis:** To assess the strength and significance of compensation as a predictor of employee retention.

8 Reliability and Validity -

The questionnaire is pre-tested on a small group of employees to ensure clarity, relevance, and reliability. **Cronbach's Alpha** is used to test the internal consistency of the questionnaire items, ensuring reliability. Content validity is established through expert reviews from HR professionals and academic researchers.

9 Ethical Considerations-

The study adheres to strict ethical guidelines:

- Participation is **voluntary**, and respondents are assured of the **confidentiality and anonymity** of their responses.
- The purpose of the study is clearly explained to participants.
- Data is used solely for academic and research purposes.

The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

DATA ANALYSIS AND INTERPRETATION

1 Demographic Profile of Respondents -

A total of 150 questionnaires were distributed to skilled employees in automobile companies at SIDCUL, Rudrapur. Out of these, 138 valid responses were received, resulting in a 92% response rate.

Table 1: Demographic Profile of Respondents

Demographic Variable	Category	Frequency	Percentage
Gender	Male	108	78.3%
	Female	30	21.7%
Age Group	20-30 Years	46	33.3%
	31-40 Years	65	47.1%
	Above 40 Years	27	19.6%
Education	Diploma	32	23.2%
	Graduate	72	52.2%
	Post-Graduate	34	24.6%
Experience	Less than 3 Years	29	21.0%
	3-6 Years	56	40.6%
	More than 6 Years	53	38.4%

2 Compensation Satisfaction Analysis-

Respondents were asked to rate their satisfaction with various components of compensation on a 5-point Likert scale.

Table 2: Mean Scores of Compensation Components

Compensation Component	Mean Score	Interpretation
Basic Salary	3.8	Satisfied
Incentives/Bonuses	3.5	Moderately Satisfied
Benefits (PF, Insurance etc.)	3.9	Satisfied
Non-monetary Rewards (Recognition, Work-life balance)	3.4	Moderately Satisfied
Career Development Opportunities	3.6	Moderately Satisfied

Interpretation:

Overall, employees are moderately satisfied with their compensation. The highest satisfaction is seen with **benefits** and **basic salary**, while **non-monetary rewards** and **career development opportunities** show room for improvement.

The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

3 Employee Retention Intentions -

Employees were asked if they intended to stay with their current organization for the next two years.

- **Yes:** 94 employees (68.1%)
- **No:** 44 employees (31.9%)

This indicates that while a majority intend to stay, a significant portion (nearly one-third) is considering leaving, highlighting the need for effective retention strategies.

4 Correlation Analysis-

A Pearson correlation analysis was conducted to examine the relationship between compensation satisfaction and employee retention.

Variables	Correlation Coefficient (r)	Significance (p-value)
Compensation & Retention	0.621	0.000 (Significant)

Interpretation:

There is a **strong positive correlation** ($r = 0.621$) between compensation satisfaction and employee retention, which is statistically significant ($p < 0.05$). This suggests that higher compensation satisfaction is associated with higher employee retention.

5 Regression Analysis-

A simple linear regression was conducted with employee retention as the dependent variable and compensation satisfaction as the independent variable.

Regression Equation:

$$\text{Retention} = 1.23 + 0.54 \times \text{Compensation Satisfaction}$$

Model Summary	Value
R Square (R^2)	0.386
F-value	56.42
Significance (p-value)	0.000

Interpretation:

The R^2 value of 0.386 indicates that **38.6%** of the variance in employee retention can be explained by compensation satisfaction. The model is statistically significant, implying that compensation is a significant predictor of employee retention.

6 Summary of Findings -

- Majority of employees are moderately satisfied with their compensation.

The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

- There is a significant positive relationship between compensation satisfaction and employee retention.
- Non-monetary factors need attention to further improve retention.
- Compensation explains a considerable portion of retention decisions but is not the sole factor.

FINDINGS

Based on the analysis and interpretation of primary data collected from skilled employees in the automobile sector of SIDCUL, Rudrapur, the following key findings emerged:

1. Moderate Satisfaction with Compensation

- Employees expressed moderate satisfaction with their overall compensation packages.
- The highest satisfaction was reported for **basic salary** and **benefits** such as provident fund and insurance.
- Lower satisfaction levels were observed regarding **non-monetary rewards**, such as recognition programs and work-life balance initiatives.

2. Retention Intentions Are Linked to Compensation

- Approximately **68.1%** of respondents indicated their intention to stay with their current organization for the next two years.
- However, a significant **31.9%** of employees expressed the possibility of leaving, suggesting room for improvement in retention strategies.

3. Strong Positive Relationship Between Compensation and Retention

- Pearson correlation analysis revealed a **strong positive relationship** ($r = 0.621$) between compensation satisfaction and employee retention, which is statistically significant.

4. Compensation as a Significant Predictor of Retention

- Regression analysis confirmed that compensation satisfaction accounts for **38.6%** of the variance in employee retention, highlighting its significant influence.

5. Qualitative Insights Highlight Non-Monetary Gaps

- Informal feedback from employees indicated that lack of career advancement opportunities, insufficient recognition, and minimal non-monetary rewards contribute to dissatisfaction and potential turnover.

RECOMMENDATIONS

Based on the findings, the following recommendations are proposed for automobile companies in SIDCUL, Rudrapur:

The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

1. **Periodic Salary Benchmarking-** Regularly review and align salary structures with industry standards to remain competitive and prevent attrition due to better offers from competitors.
2. **Enhancement of Non-Monetary Rewards-** Introduce or strengthen recognition programs, employee appreciation events, and flexible work arrangements to enhance job satisfaction.
3. **Career Development Initiatives-** Provide clear career progression paths, skill enhancement workshops, and training programs to boost employees' sense of growth and belonging.
4. **Tailored Incentive Schemes** - Design performance-based incentives that are transparent and aligned with employee expectations, motivating high performers to stay.
5. **Employee Feedback Mechanisms-** Establish regular feedback channels, such as surveys or focus groups, to understand employee concerns related to compensation and take corrective actions.
6. **Holistic Total Rewards Strategy-** Move beyond financial compensation and adopt a total rewards strategy encompassing health benefits, well-being programs, recognition, and professional growth opportunities.

CONCLUSION

The study concludes that **compensation plays a crucial role in retaining skilled employees** within the automobile sector of SIDCUL, Rudrapur. Both monetary and non-monetary components of compensation significantly influence employees' intentions to stay or leave. While competitive salaries and benefits have a positive impact on retention, gaps in recognition programs, career development, and non-financial incentives limit the overall effectiveness of compensation strategies.

The research affirms that organizations operating in competitive industrial zones like SIDCUL must adopt a **holistic compensation approach** that combines fair financial rewards with robust non-monetary benefits to effectively retain skilled talent.

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**The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of
SIDCUL, Rudrapur, Uttarakhand**

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The Impact of Compensation in Retaining Skilled Employees in the Automobile Sector of SIDCUL, Rudrapur, Uttarakhand

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Conflict of Interest

The author declared no conflict of interest.

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