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THE PROBLEMS AND COUNTERMEASURES OF INCENTIVIZING FRONTLINE EMPLOYEES IN MANUFACTURING COMPANIES BASED ON ERG THEORY

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Abstract: This study addresses the practical challenges of high turnover and ineffective incentive mechanisms among new-generation employees in J Manufacturing Enterprise. Drawing on ERG theory, it focuses on this employee group and develops a satisfaction evaluation framework through literature analysis, questionnaires and interviews, followed by empirical investigation. The findings indicate that, in terms of existence needs, problems include distorted position-based pay, the absence of long-term incentives and perfunctory performance appraisal. With respect to relatedness needs, limited empowerment, insufficient sense of achievement and homogeneous management practices are prominent. In terms of growth needs, employees face restricted promotion opportunities, poorly targeted training and limited participation in decision-making. On this basis, and guided by the principles of fairness, performance alignment, transparency, diversity and sustainability, this study proposes targeted optimization strategies. These findings provide both practical pathways and theoretical reference for improving incentive systems for new-generation employees in manufacturing and building-materials enterprises.
Keywords: ERG theory; Entry-level employees; Employee motivation; Optimization strategy

1 INTRODUCTION

Against the backdrop of the new era, the integration of new-generation employees has made the human resource structure of enterprises increasingly complex. Optimizing the management model for this emerging workforce has therefore become an important driver of enterprise development. How to further improve this model to meet the requirements of a changing era, while ensuring the stability and sustainable development of the talent pool, is a critical challenge for enterprise managers [1]. Compared with the older generation, the new generation grew up in an era of rapid economic development, social transformation and technological leap. They have more open-minded concepts and more diverse values. They place greater emphasis on individuality, are more pragmatic and rational, have more open thinking, and are also more willing to challenge authority. The new generation injects vitality into enterprises, but also impacts traditional human resource management. Therefore, establishing management and incentive strategies that are suitable for their needs has become a core issue in research and practice.

To more effectively motivate new-generation employees, a broad consensus has emerged in the literature. International studies commonly distinguish between Generation Y, or Millennials, born between 1982 and 2000, and Generation Z, born between 1995 and 2012. Generation Y grew up in a digital and social media environment, tends to prefer flexible work arrangements, is willing to question authority, and places strong emphasis on self-expression and organizational recognition [2]; Generation Z is more open to diversity, places greater emphasis on individualism and is highly dependent on technology [3]. Members of this cohort are generally confident and proactive, show strong engagement in teamwork and public-interest activities, have broad interests and exhibit high mobility; in the absence of a subjective sense of “well-being”, they are more likely to leave their jobs [4]. Domestic studies suggest that new-generation employees are, in general, less constrained by traditional norms and more strongly motivated by recognition and opportunities to be valued. However, when faced with monotonous or high-intensity tasks, they tend to avoid engagement and may show a weaker sense of responsibility [5]. Among science and technology professionals, knowledge intensity and creativity are particularly prominent. They tend to prefer challenging work, value freedom and anti-hierarchical norms, and expect a relaxed and harmonious work environment that does not encroach on personal time [6]. In terms of workplace relationships, they are more inclined towards partnership-based management and may be willing to trade part of their salary for ideals, opportunities for expression and space for innovation. Yet, because many have grown up in encouragement-oriented environments, they are also more prone to negative emotions when encountering setbacks [7]. These characteristics may lead to unstable execution, high turnover and increased management difficulty, requiring managers to establish authority through professional competence and technological leadership [8].

This study focuses on new-generation employees in J Manufacturing Enterprise. Drawing on ERG theory, it first reviews and evaluates the current state of incentives across three categories of needs: existence, relatedness and growth. It then develops a needs-based indicator system, conducts an empirical survey to assess employee satisfaction with the firm’s incentive schemes, and uses the resulting data to identify and analyse the underlying sources of existing problems. On this basis, the study proposes incentive optimization pathways from the dimensions of existence, relatedness and growth, together with supporting mechanisms for implementation. These measures aim to align more closely with the characteristics of new-generation employees, maximize their work initiative and creativity, and promote a synergistic relationship between employees' self-realization and enterprise development.

2 THE CURRENT STATE OF INCENTIVE STRATEGIES

J Manufacturing Enterprise is currently transitioning from a growth-oriented stage to a more development-oriented phase, a process that depends critically on talent support. To attract and retain key personnel more effectively, the company must rely on systematic human resource management practices, thereby making the role of human resource management increasingly prominent. Accordingly, the enterprise has established and refined incentive policies across multiple dimensions, with the aim of enhancing both talent attractiveness and workforce stability.

In terms of existence needs, the company's incentive strategy is primarily characterized by "stable pay plus flexible performance-based rewards". Basic salaries are close to the industry median, while performance pay is linked to quarterly targets; however, there is limited scope for salary adjustment within the year. Benefits include statutory social insurance and housing fund contributions, meal allowances and communication subsidies, but support for housing, children's education and health examinations remains insufficient in depth and coverage. Overall labour intensity is relatively high, with some positions involving long-term overtime and a fast work pace, while the implementation of flexible working hours is inconsistent. The leave system is formally compliant, yet compensatory leave deductions are frequent and annual leave utilization remains low. Overall, the existing arrangements provide a basic sense of security, but further improvement is needed to buffer frontline work pressure and rising living costs.

In terms of relatedness needs, the company's incentive strategy can be characterized as one of "moderate empowerment with a still-developing culture". Frontline and project-based teams are granted limited authority over targets and budgets, yet cross-departmental collaboration still requires multiple layers of approval, constraining operational efficiency. The company advocates a culture of "customer orientation, pragmatic action and transparency"; however, the implementation of these values remains largely dependent on individual supervisors and lacks sufficient institutionalization. Managerial styles are polarized: experienced managers tend to emphasize control and results, whereas younger managers place greater importance on coaching and feedback, with periodic one-on-one communication gradually being introduced. The organizational climate is pragmatic but tense, particularly as high-pressure periods become more frequent, while positive recognition and timely incentives remain limited. Relationships among colleagues are generally friendly and mutually supportive, but unclear role boundaries can easily give rise to responsibility shifting. Overall, relatedness-based incentives are sufficient to sustain basic collaboration, but there remains considerable scope for improvement in the clarity of empowerment, cultural consistency and recognition mechanisms.

In terms of growth needs, the company's incentive strategy is characterized by "emerging pathways and pragmatic mechanisms". Promotion is supported by a grading system and dual career tracks, with fixed review points; however, the transparency of evaluation criteria and mobility across career streams remain limited. Career development planning is mainly organized through annual individual development plans, complemented by mentoring schemes and pilot job-rotation programmes, although implementation is constrained by available resources and managers' coaching capacity. The training system covers onboarding, professional skills and managerial development, but opportunities for external certification are limited, and the linkage between learning outcomes and performance evaluation remains weak. Key projects provide relatively high levels of challenge, yet fragmented task allocation may lead to an unstable growth trajectory. In terms of participation in decision-making, OKR reviews and retrospectives have become more open, but mechanisms for incorporating frontline voices remain insufficient. Overall, growth-oriented incentives can support short- to medium-term development, but further improvement is needed in transparency, cross-track development and the formation of a closed-loop learning mechanism.

3 PROBLEMS IN INCENTIVE STRATEGIES

From the perspective of existence needs, the current incentive strategies fail to adequately address employees' core expectations for stability and fairness. First, basic compensation is substantially disconnected from job value. Pay disparities for similar positions and insufficient external competitiveness have led employees to leave passively in response to rising basic living costs. Second, long-term compensation incentives are lacking. The wage structure relies excessively on short-term allowances and one-off rewards, making it difficult to establish predictable income growth and a stable sense of security. Third, performance appraisal remains largely formalistic: indicators are unclear, feedback is delayed and the link between appraisal results and compensation is weak, preventing the principle of "greater contribution, greater reward" from being effectively implemented. The combined effect of these problems drives employees to seek short-term compensation or external job opportunities, thereby increasing organizational costs and undermining morale.

From the perspective of relatedness needs, the current incentive strategies are insufficient to support employees' expectations for belonging and recognition. First, empowerment remains limited and decision-making processes require approval at multiple levels, leaving frontline employees with inadequate discretion. This increases coordination costs and slows organizational efficiency. Second, the organizational climate places excessive emphasis on risk control and compliance, while lacking timely recognition, praise and symbolic rituals for achievements and growth; as a result, teams struggle to develop a shared sense of accomplishment. Third, management practices remain overly standardized and fail to account for differences in age, role and motivation. Homogeneous communication and feedback weaken employees' sense of individual value, ultimately reducing engagement and cross-team collaboration.

From the perspective of growth needs, the current incentive strategies are insufficient to support employees' self-actualization. First, development pathways remain unclear, while job rotation and talent pipeline development are weak. Promotion opportunities are scarce and evaluation criteria lack transparency, creating a strong sense of a "career ceiling" among high-performing employees. Second, training is overly generic: course content is poorly aligned with business scenarios and lacks a closed-loop capability-building system based on employee profiling, tiered learning, practical exercises and transfer evaluation. Third, employees have limited participation in decision-making. Their needs are difficult to communicate upward, suggestions receive insufficiently timely feedback, and there is limited room for experimentation and trial-and-error. These constraints weaken employees' sense of ownership and motivation for innovation. As a result, the imbalance between effort and reward becomes more pronounced, undermining talent retention and organizational vitality.

Overall, the organization exhibits systemic weaknesses across the three ERG dimensions of existence, relatedness and growth. In the existence dimension, the misalignment between compensation and job value, the absence of long-term incentives, and the weak linkage between performance and income directly undermine perceptions of pay fairness and security, thereby inducing passive turnover and rising organizational costs. In the relatedness dimension, insufficient empowerment and process overload increase coordination costs, while an organizational climate lacking a sense of achievement and overly standardized management practices weaken employees' sense of belonging and recognition. In the growth dimension, unclear promotion pathways, insufficiently targeted and practice-oriented training, and low-participation decision-making mechanisms erode employees' sense of ownership and innovation momentum. These problems are mutually reinforcing and collectively constrain the effectiveness of the company's incentive system.

4 COUNTERMEASURES FOR OPTIMIZING INCENTIVE STRATEGIES

With the objectives of enhancing employee satisfaction, improving employee performance and innovation, retaining outstanding new-generation talent and strengthening organizational competitiveness, this study proposes optimization measures for incentivizing new-generation employees in J Manufacturing Enterprise from the three ERG dimensions of existence, relatedness and growth. These measures are guided by the principles of fairness, performance relevance, transparency, diversity and sustainability.

From the perspective of existence needs, optimization should focus on three pillars. First, a broadband compensation system should be established on the basis of position-based pay. Job value assessment should serve as the anchor, with wider salary bands and reduced reliance on seniority, allowing flexible salary adjustments within each band according to performance and competence, thereby ensuring both internal equity and external market competitiveness [9]. Second, long-term compensation incentives should be strengthened by introducing equity or virtual equity, deferred bonuses and sustained retention payments, with staged vesting and performance thresholds to enhance income predictability and talent retention. Third, a comprehensive and scientific performance appraisal system should be developed. Centred on target decomposition and key performance indicators, it should incorporate 360-degree feedback, process milestones and data-driven reviews, while reinforcing links with compensation, promotion and training, so that the principle of "greater contribution, greater reward; superior performance, superior pay" can be effectively implemented.

From the perspective of relatedness needs, incentive optimization should be developed around three main lines: empowerment, achievement and personalization. First, employees should be granted appropriate decision-making authority, with clearly defined boundaries and tolerance for reasonable trial and error. This should be supported by transparent goals, resources and data, as well as shortened approval chains, enabling frontline teams to conduct rapid pilots and iterative improvements. Second, the company should foster a work environment that generates a stronger sense of achievement. Mechanisms for timely recognition and staged milestones should be established, with outcomes made visible and team co-creation and experience review strengthened, so that employees' efforts are seen, acknowledged and remembered. Third, personalized management should be emphasized. Differentiated communication and incentive approaches should be implemented according to variations in role, competence and motivation, while mentoring and developmental dialogue should be provided to form a continuous feedback loop and enhance employees' sense of belonging and collaborative efficiency.

From the perspective of growth needs, optimization should focus on promotion, training and participation. First, a short-cycle and transparent promotion system should be established. Anchored in competency standards and job sequences, quarterly or semi-annual reviews should be conducted, with promotion quotas, criteria and outcomes made public, together with trial-position opportunities and promotion coaching. Second, training should be strengthened according to employee needs. Based on employee profiling and competency-gap analysis, scenario-based practical courses and mentoring mechanisms should be designed to create a closed loop of "learning–application–feedback–evaluation". Third, employees should be encouraged to participate more actively in decision-making [10-11]. Co-creation workshops and trial-and-error budgets should be introduced into OKR formulation, process improvement and product iteration, while rapid feedback and review mechanisms should be established to consolidate best practices and activate innovation momentum.。

5 CONCLUSIONS

Based on ERG theory, J Manufacturing Enterprise should pursue coordinated optimization across the three dimensions of existence, relatedness and growth. Specifically, it should develop an integrated incentive system that combines position-based pay and long-term incentives, empowerment-based co-creation and an achievement-oriented culture, as well as short-cycle transparent promotion and scenario-based training. Data-driven evaluation and a PDCA closed loop should be used to ensure implementation and continuous iteration, thereby stabilizing the workforce, improving efficiency and stimulating innovation. Pilot programmes should first be introduced for key positions and then advanced in a tiered manner, with strengthened managerial coaching capability and an internal talent market mechanism, ultimately forming a replicable incentive model.

COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

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