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Financial incentives as a tool to retain employees: Evidence from industries with high employee turnover rates in Vietnam

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Abstract This study addresses the question of how different financial incentives impact employee satisfaction and retention, particularly in Vietnam's high-turnover industries, where understanding effective incentive strategies remains underexplored. The study aims to fill this gap by examining which financial incentives—such as bonuses, profit sharing, and stock options—are most effective in improving job satisfaction and reducing turnover. Using a quantitative methodology, survey data from 387 employees in labor-intensive industries such as retail, hospitality, and manufacturing were analyzed to evaluate the relationship between financial incentives and employee retention. The analysis was conducted via partial least squares structural equation modeling (PLS-SEM) with SPSS 22 and AMOS 20 software. The findings indicate that immediate financial incentives, such as performance-based bonuses, company profit sharing, and retention bonuses, significantly enhance job satisfaction and employee retention, whereas stock options have a limited impact in this context. At the same time, the research results also show that, the effect of bonuses on retention is significantly stronger in manufacturing than in both hospitality and retail, there is no significant difference between hospitality and retail. These results are particularly significant, as they align with Vietnam's economic and cultural characteristics, where employees prioritize short-term financial security over long-term benefits. The implications suggest that companies should design incentive programs tailored to employees' immediate needs, strategically use retention bonuses to retain key employees during critical periods, and avoid one-size-fits-all approaches by personalizing financial incentives according to employee preferences. At the same time, this reinforces the importance of customizing employee retention strategies based on the specific motivators of each industry and employee expectations, thereby enhancing the overall effectiveness of incentive programs in sectors with high employee turnover rates.

Keywords: employee retention, financial incentives, job satisfaction, Vietnam

1. Introduction

Staff turnover has long been a key challenge for industries with high labor intensity and low job stability, such as retail, hospitality, and manufacturing. In Vietnam, these industries are particularly vulnerable to high turnover rates because of the country's rapidly growing labor market and the need for a flexible workforce. According to a report by VietnamWorks (2022), the turnover rate in Vietnam's hospitality and retail industries often exceeds 30% annually, with young workers tending to quit their jobs in search of better opportunities. This high turnover rate poses significant challenges for organizations because it disrupts operations, reduces workforce consistency, and affects customer service quality (Hom et al., 2017). Moreover, the manufacturing sector, the backbone of Vietnam's export-oriented economy, faces similar problems when workers frequently leave work to find higher wages and benefits or better working conditions elsewhere (Nguyen & Truong, 2021).

Employee retention is critical to organizational stability, especially in industries with high turnover rates. High turnover not only increases the cost of recruitment and training but also leads to loss of organizational knowledge and reduced productivity, thereby affecting the profitability of the organization. Cascio & Boudreau (2011) argue that replacing an employee can cost up to 150% of their annual salary when considering direct and indirect costs. For industries in Vietnam, where labor costs are a significant factor in operating costs, the costs associated with such turnover rates can put a strain on an organization's budget and resources. According to the International Labor Organization (ILO, 2021), the rate of labor turnover in the restaurant and hotel services industry in Vietnam alone has cost employers millions of dollars each year because of lost productivity and inefficient operations. In addition to financial costs, the high rate of labor turnover also disrupts team

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dynamics, reduces the morale of employees who stay and reduces service quality, especially in customer-oriented industries such as retail and restaurant services (Hom et al., 2017). Moreover, retaining employees helps to build a stable and experienced workforce, which is essential for maintaining service quality in the hospitality and retail industry while ensuring productivity in production (Nguyen et al., 2019).

Among the various strategies used to increase employee retention, financial incentives are considered the best solution. Financial incentives, such as bonuses, profit sharing, stock options, and retirement benefits, not only address employees' financial needs but also demonstrate organizational appreciation and equity, which are important factors in reducing employee turnover (Bryant & Allen, 2013). These incentives can motivate employees to stay with an organization, especially in labor-intensive industries where wages are often the main concern of workers.

Faced with the above situation, managers in industries with high labor turnover rates in Vietnam often rely on traditional approaches, such as improving workplace conditions or providing nonfinancial benefits such as organizing tours and picnics to solve employee retention problems (Nguyen et al., 2020). While such strategies are important, they may not adequately address the financial concerns of employees, which are often key drivers of labor turnover rates in these industries. Financial incentives, such as bonuses and profit sharing, have been shown to be effective in reducing turnover rates in other countries by increasing employee job satisfaction and organizational commitment (Bryant & Allen, 2013). Similarly, Hom et al. (2017) reported that financial incentives address employees' financial needs and improve their perceptions of equity, thereby reducing the intention to quit.

However, while world research provides valuable insights, studies on financial incentives are often conducted in Western economies or other developed countries where labor market characteristics, the cultural context, and economic conditions differ significantly from those of Vietnam. For example, Cascio & Boudreau (2011) investigated the financial impact of employee retention strategies in the United States, emphasizing the cost-effectiveness of financial incentives. While these findings are credible, their applicability to Vietnam, a developing country with unique labor market dynamics, remains unclear. In Vietnam, employees in labor-intensive and high labor turnover industries such as retail, hospitality and manufacturing are often motivated by financial concerns due to lower average wages and rising costs of living (Nguyen & Truong, 2021). This suggests that financial incentives may have a more pronounced effect on employee retention in Vietnam, but this hypothesis has not been fully explored in the literature. Moreover, some studies in Vietnam on employee retention have focused mainly on nonfinancial factors such as job satisfaction, workplace conditions and career development opportunities. For example, Nguyen et al. (2020) reviewed employee retention strategies in Vietnam and emphasized the role of job satisfaction and leadership but did not explore the specific impact of financial incentives. Similarly, Nguyen et al. (2019) studied the challenges of retaining employees in Vietnam's retail sector but focused mainly on nonfinancial benefits, such as work–life balance and organizational culture. While these studies provide useful insights into employee retention in Vietnam, they do not address the potential of financial incentives as a targeted retention strategy, creating a significant gap in the literature.

Therefore, this study was conducted to address this research gap by focusing on financial incentives as an employee retention tool in Vietnam's high turnover industries. This study is an attempt to systematically examine the effectiveness of financial incentives, such as bonuses, profit sharing, stock options, and retirement benefits, in reducing labor turnover in Vietnam's labor-intensive industries. By doing so, this study provides empirical evidence-based recommendations for HR professionals and policymakers seeking to reduce labor turnover rates and enhance workforce stability in industries with high turnover rates, such as retail, hospitality, and manufacturing, in Vietnam as well as developing countries with conditions similar to those in Vietnam.

2. Theoretical Basis and Literature Review

2.1. Theoretical basis

This study is grounded in several foundational theories that explain the relationships among financial incentives, job satisfaction, and employee retention. These theories collectively provide a comprehensive framework for understanding how financial rewards influence employee motivation, employee satisfaction, and their decision to remain with an organization.

Herzberg's two-factor theory (Herzberg et al*., 1959)* categorizes workplace factors into two types: hygiene factors and motivators. Hygiene factors, such as salary, benefits, and job security, do not directly lead to job satisfaction but are necessary to prevent dissatisfaction. In contrast, motivators, such as recognition, opportunities for growth, and meaningful work, are intrinsic drivers of job satisfaction and engagement. In the context of this study, financial incentives, such as bonuses, profit sharing, stock options, and retirement benefits, are considered hygiene factors. These financial rewards address employees' basic needs by ensuring fair compensation, which reduces dissatisfaction and creates a baseline sense of stability. However, while hygiene factors do not inherently motivate employees, their absence can lead to significant dissatisfaction and turnover. The mediating role of job satisfaction in this study aligns with Herzberg's theory by suggesting that financial incentives reduce dissatisfaction, leading to increased job satisfaction. This, in turn, strengthens employees' commitment to the organization and reduces turnover intentions. Herzberg's theory is particularly relevant to high-turnover industries, where dissatisfaction with compensation often drives employees to leave.

Expectancy Theory (Vroom, 1964): Expectancy theory asserts that employees are motivated when they believe that their efforts will result in desired outcomes. The theory consists of three core components: expectancy, instrumentality, and valence. Expectancy refers to the belief that effort will lead to performance; instrumentality refers to the belief that performance will lead to a reward; and valence refers to the value employees place on the reward. In this study, financial incentives serve as highly valued rewards that motivate employees by aligning their performance with tangible benefits. For example, bonuses, profit sharing, and stock options create a direct link between employee contributions and financial rewards, reinforcing the belief that effort and performance are recognized and rewarded. This alignment increases job satisfaction because employees feel that their hard work is fairly compensated. In high-turnover industries, where financial stability is often a primary concern, financial incentives act as key motivators, improving job satisfaction and encouraging employees to stay with the organization. Expectancy theory supports the study's hypothesis that financial incentives positively impact job satisfaction, which subsequently influences employee retention.

Equity theory (Adams, 1963): Equity theory emphasizes the importance of fairness in the workplace, especially in the exchange between employee contributions and rewards. According to this theory, employees evaluate the equity of their compensation by comparing their inputs (e.g., skills, effort, experience) to the rewards they receive (e.g., salary, benefits, recognition). They also compare their situation to that of their peers. If employees perceive that their compensation is fair relative to their contributions and the rewards received by others, they are more likely to experience job satisfaction. Conversely, perceived inequity can lead to dissatisfaction, reduced motivation, and increased turnover intentions. In this study, financial incentives such as bonuses, profit sharing, and retirement benefits are examined as mechanisms to address perceptions of fairness. When employees feel that their financial rewards are equitable and reflective of their contributions, their satisfaction with the job increases. This satisfaction fosters loyalty and reduces the likelihood of leaving the organization. Equity theory is particularly relevant in high-turnover industries, where employees often leave for marginally better compensation elsewhere, highlighting the importance of fair and competitive financial rewards.

Social exchange theory (Blau, 1964): Social exchange theory explains workplace relationships as reciprocal exchanges of resources and effort. This theory posits that employees and organizations engage in an exchange where employees provide their time, skills, and effort in return for rewards, support, and recognition from the organization. When employees feel that the organization values their contributions through fair and meaningful rewards, they are more likely to reciprocate with loyalty, commitment, and greater engagement. In this study, financial incentives such as bonuses, stock options, and retirement benefits act as the employer's investment in its workforce. These rewards signal that the organization values its employees, fostering a sense of reciprocity. Job satisfaction mediates this relationship because satisfied employees are more likely to respond positively to organizational rewards by remaining committed to the organization. In high-turnover industries, organizations that fail to provide adequate financial rewards may face a breakdown in this exchange, leading to greater employee turnover. Social exchange theory supports the study's hypothesis that financial incentives not only impact job satisfaction but also drive employee retention.

2.2. Experimental study

2.2.1. The impact of bonuses on employee satisfaction in companies with high turnover rates

In the context of business, bonuses can be defined as financial incentives awarded to employees on the basis of performance metrics or achievements. Faizati highlights that sales bonuses tied to target achievements serve as motivational tools, enhancing employee performance and job satisfaction, especially when linked to profitable products (Faizati, 2023). Similarly, Lee et al. emphasized that both individual and group bonuses significantly impact employee performance across various business types, indicating their role as critical components of compensation structures (Lee et al., 2017).

Bonuses serve as powerful financial incentives and are widely acknowledged for their positive impact on employee satisfaction. They act as direct rewards that organizations use to recognize employee performance or motivate them to achieve specific goals (Bryant & Allen, 2013). Research has shown that bonuses address financial needs, foster a sense of appreciation, and reinforce perceptions of fairness. For instance, Bryant & Allen (2013) reported that bonuses are especially effective in high-turnover industries, where employees often feel undervalued. By acknowledging employee contributions and providing tangible rewards, bonuses strengthen emotional connections to organizations and reduce dissatisfaction. High-turnover industries, such as retail and hospitality, where low wages and limited career advancement are common, benefit significantly from bonuses, as they help alleviate financial stress and improve satisfaction (Shaw & Gupta, 2015).

Bonuses also enhance perceptions of organizational support, a key factor in job satisfaction. Employees who receive bonuses feel valued by their organizations, which fosters mutual commitment and satisfaction (Eisenberger et al., 2001). This creates a sense of reciprocity, where employees feel loyal and dedicated to the organization. Fair bonuses also promote a sense of equity, reinforcing employees' belief that they are valued members of the organization (Brown et al., 2010). Additionally, bonuses are particularly effective in retaining employees in high-turnover settings, such as manufacturing, where dissatisfaction often stems from low wages and poor conditions. Research has demonstrated that bonuses provide financial stability and increase satisfaction, making employees more likely to stay (Kwon & Hein, 2013; Dulebohn & Werling, 2007).

Furthermore, the effectiveness of bonuses is amplified in low-wage economies, where they are seen as essential to financial well-being (Ng et al., 2017). In contrast, in Western cultures, which emphasize material rewards, bonuses are linked to job satisfaction and financial recognition (Hofstede, 1980). By fulfilling both extrinsic and intrinsic motivational needs, bonuses strengthen satisfaction, foster loyalty, and enhance motivation in diverse contexts (Gerhart & Fang, 2014; Zahirah, 2024; Hanai & Pallangyo, 2020; Sorn, 2024).

H1: Bonuses have a positive effect on employee satisfaction in companies with high turnover rates in Vietnam.

2.2.2. Impact of profit sharing on employee satisfaction in companies with high turnover rates

Profit sharing is a financial incentive mechanism in which employees receive a share of the organization's profits, linking their compensation to the company's overall performance (Koys, 2001). Profit sharing has been shown to positively influence employee satisfaction, particularly in industries characterized by high turnover rates such as retail, restaurants, and hotels. Research indicates that profit-sharing schemes can enhance employee engagement by linking compensation to company performance, thereby fostering a sense of ownership and commitment among employees (Daneshfar et al., 2010; Blasi et al., 2018; Fibírová & Petera, 2013). This alignment of interests not only boosts individual morale but also contributes to overall organizational stability, potentially reducing turnover rates (Blasi et al., 2018; Fibírová & Petera, 2013).

Furthermore, profit sharing has been associated with improved productivity and job satisfaction, as employees feel more valued and motivated to contribute to a company's success (Blasi et al., 2018; Fibírová & Petera, 2013; Ogbonnaya et al., 2017). In high-turnover environments, where employee retention is critical, implementing effective profit-sharing strategies can lead to a more satisfied workforce, ultimately enhancing customer service and organizational performance (Madhani, 2019). Thus, companies in these sectors can benefit significantly from adopting profit-sharing models to mitigate turnover and improve employee satisfaction.

H2: Profit sharing has a positive effect on employee satisfaction in companies with high labor turnover rates in Vietnam.

2.2.3. Impact of stock options on employee satisfaction in companies with high turnover rates

Stock options are a form of equity-based compensation that provide employees with the opportunity to purchase company shares at a predetermined price, aligning employee interests with organizational performance (Blasi et al., 2013). Employee stock options (ESOs) can significantly increase employee satisfaction, particularly in industries characterized by high turnover, such as retail, restaurants, and hotels. By offering ESOs, companies create a financial incentive for employees to remain with the organization, as unvested options become forfeitable if they leave before the vesting period ends (Aldatmaz et al., 2018). This mechanism not only encourages retention but also fosters a sense of ownership among employees, motivating them to contribute positively to the company's success (Artiono & Hidayat, 2021; Mahmood, 2020).

Furthermore, broad-based stock option plans have been shown to improve overall productivity and employee engagement, which are critical in high-turnover environments (Sesil & Lin, 2011; Cappelli et al., 2019). The social exchange relationships established through ESOs can lead to enhanced job performance, as employees feel more invested in the company's future (Cappelli et al., 2019). Thus, implementing stock options can be an effective strategy for improving employee satisfaction and reducing turnover in sectors where employee retention is particularly challenging (Tsebro, 2016).

H3: Stock options have a positive effect on employee satisfaction in companies with high labor turnover in Vietnam.

2.2.4. Impact of retirement benefits on employee satisfaction in companies with high turnover rates

Dulebohn & Werling (2007) define employee retirement benefits as employer-provided financial plans designed to support employees financially during their postemployment years, typically including pensions, defined contribution plans, or other long-term savings mechanisms aimed at ensuring economic security after retirement.

The provision of retirement benefits not only serves as a financial incentive but also fosters a sense of security and organizational commitment among employees. Research indicates that when employees perceive their organizations as genuinely concerned about their retirement benefits, their emotional responses and overall job satisfaction improve significantly (Khan, 2014). This emotional uplift is particularly vital in sectors with high turnover, where employee retention is a persistent challenge.

Furthermore, companies that offer robust retirement benefits are better positioned to attract and retain talented individuals who prioritize these benefits in their employment decisions. Such benefits can lead to reduced turnover costs and increased employee engagement, ultimately enhancing overall productivity. The financial implications of offering retirement benefits are not negligible; they require careful allocation of resources but yield substantial returns in terms of employee loyalty and performance.

In the hospitality sector, for instance, internal brand image significantly influences employee satisfaction and retention. A positive internal brand image, which can be bolstered by offering retirement benefits, is correlated with higher service quality

and customer satisfaction, further reducing turnover rates (Hur & Adler, 2011). This relationship underscores the importance of comprehensive employee benefits as part of a broader strategy to enhance job satisfaction and organizational loyalty.

Additionally, studies have shown that perceived organizational support, which includes retirement benefits, is positively associated with job satisfaction among employees in the restaurant industry (Aulia et al., 2022). Employees who feel supported are more likely to exhibit higher levels of job satisfaction, which is critical in environments where service quality directly impacts customer experiences and business success (Baquero, 2022).

Furthermore, the provision of retirement benefits can also mitigate the adverse effects of job dissatisfaction that often lead to turnover. For example, employees who are aware of and understand their retirement plans are more likely to positively engage with their work environment, thereby enhancing their job satisfaction. This understanding is crucial, as it empowers employees to make informed decisions regarding their financial futures, which in turn fosters a more committed workforce.

In conclusion, the integration of retirement benefits into employee compensation packages is essential for enhancing job satisfaction in high-turnover industries. By addressing the financial and emotional needs of employees, organizations can cultivate a more stable and satisfactory workforce, ultimately leading to improved organizational performance and reduced turnover rates.

H4: Retirement benefits have a positive effect on employee satisfaction in companies with high turnover rates in Vietnam.

2.2.5. Impact of job satisfaction on employee retention

Job satisfaction is widely recognized as a crucial factor influencing employee retention across various sectors. Numerous studies have established a positive correlation between job satisfaction and employee retention, suggesting that higher levels of job satisfaction lead to increased retention rates among employees. For example, Kamloonwesaruch et al. highlighted that job satisfaction significantly impacts organizational commitment, which in turn affects employee retention, thereby demonstrating a direct effect of workplace well-being on retention outcomes (Kamloonwesaruch et al., 2022). Similarly, Rubel et al. reported that quality of work life (QWL), which encompasses job satisfaction, positively influences both employee retention and job performance, reinforcing the notion that satisfied employees are less likely to leave their organizations (Rubel et al., 2023).

Further supporting this relationship, Nor's research indicates that job satisfaction is a significant predictor of employee motivation and performance, which are critical components of retention strategies in multinational companies (Nor, 2024). Additionally, Aman-Ullah et al. provide evidence that workplace safety enhances job satisfaction, which subsequently fosters employee loyalty and retention, aligning with social exchange theory, which posits that satisfied employees are more likely to remain loyal to their organizations (Aman-Ullah et al., 2022).

Furthermore, Nyoni's study emphasized the importance of aligning retention strategies with employee job satisfaction, suggesting that organizations must meet employee needs and expectations to increase retention rates (Nyoni, 2024). This sentiment is echoed by Shoaib et al., who reported that organizational culture and compensation significantly impact job satisfaction, which mediates the relationship between these factors and employee retention (Shoaib et al., 2023).

The mediating role of job satisfaction is further underscored by Kiran, who asserts that optimal working conditions foster job satisfaction, which is pivotal for enhancing retention intentions (Kiran, 2024). This is corroborated by findings from Tirta and Enrika, who noted that factors such as recognition and work–life balance contribute to job satisfaction, thereby influencing employees' decisions to remain with their organizations (Tirta & Enrika, 2020).

In summary, the evidence consistently supports the assertion that job satisfaction is a key determinant of employee retention. Organizations that prioritize job satisfaction through effective HRM practices, a supportive work environment, and a positive organizational culture are more likely to retain their employees, thereby reducing turnover and enhancing overall organizational performance.

H5: Job satisfaction positively impacts employee retention.

3. Research Methodology

The article uses SPSS 22 and AMOS 20 (Arbuckle, 2011) to test the linear structure (SEM) model to answer the question of whether financial incentives improve employee job satisfaction. Does job satisfaction increase employee retention in retail, hospitality, and manufacturing companies in Vietnam?

For optimal results, the authors conducted a validation process as follows: Following Anderson & Gerbing (1988), the linear structural model analysis process includes the following steps: (i) Scale test: overall Cronbach's alpha coefficient > 0.7 and corrected item–total correlation > 0.3; (ii) exploratory factor analysis (EFA): appropriateness of the measure with 0.5≤ Kaiser–Meyer–Olkin (KMO) ≤ 1, Bartlett's test of sphericity with a significance level (Sig) ≤ 0.05, factor extraction variance > 50%, eigenvalues > 1, factor loadings > 0.5 (Hair et al., 1998); and (iii) confirmatory factor analysis (CFA): the model is considered suitable when the chi–square test has a P value > 0.05. However, the disadvantage of the chi-square test is that it depends on the size of the research sample. The larger the sample size is, the larger the chi-square value is, thereby reducing the suitability

of the model. Therefore, in addition to the P value, the standard used is CMIN/df; in some practical studies, people distinguish between 2 cases: CMIN/df < 5 (with sample N > 200) or CMIN/df < 3 (when N < 200), the model is considered suitable (Kettinger et al., 1995). In this study, because the research sample of the graduate student N = 387 > 200, the article uses the standards of Kettinger et al. (1995), accepting CMIN/df < 5; GFI, TLI, CFI > 0.9; RMSEA < 0.08, the case of RMSEA < 0.05 according to Steiger (1990), is considered very good. In addition, according to Zikmund et al. (2000), if GFI < 0.9, the model's suitability for market data is also acceptable. According to Awang (2012) and Forza & Filippini (1998), the model is acceptable if the values 0.8 < TLI, CFI < 0.9, CMIN/df < 5, and RMSEA ≤ 0.08. (iv) Structural equation modeling (SEM).

The research model is shown in Figure 1, with the economic equation of the study corresponding to the model as follows:

JOS = f (BON, PRS, STO, REB) (1)

EMR = f (JOS) (2)

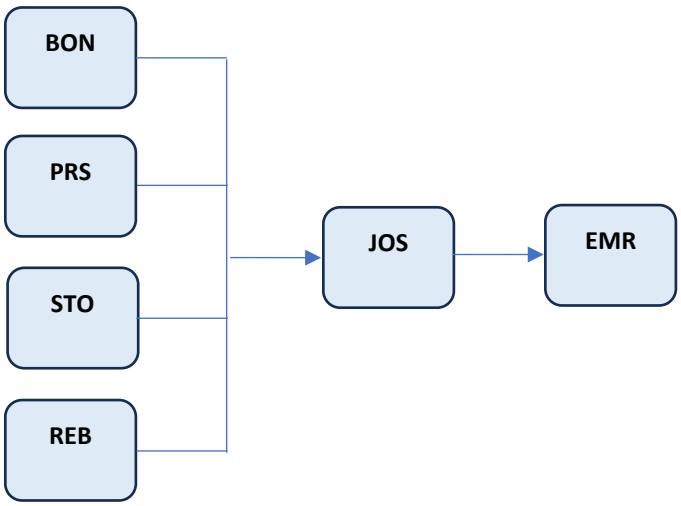

Figure 1 Research model.

The variables in the PLS-SEM quantitative model are measured via a 5-level Likert scale, with the number 1 indicating total disagreement, the number 2 indicating disagreement, the number 3 indicating a neutral rating, the number 4 indicating agreement, and the number 5 indicating strong agreement. The number of scales measuring the variables of this study is built on the basis of foundation theory and the research overview, as shown in Table 1 as follows:

The model comprises 6 scales and 20 observed variables.

In addition, to ensure the study sample size in SEM analysis, on the basis of the recommendations of Bentler & Chou (1987), a ratio of 5--10 surveys was proposed for each survey question. Kline (2023) recommends a minimum sample size of 200 for any SEM analysis or 10 cases per observation, whichever is greater. Accordingly, the minimum sample size in this study is n = 10*i (i is the number of observed variables in the model), corresponding to this study, and the sample size is 10*20 = 200 votes. To improve the reliability of the survey information, the study selects the largest sample for the model according to one of the above principles.

The target audience for this study includes employees who work in the retail, hospitality, and manufacturing industries. To ensure representativeness across disciplines, stratified random sampling techniques are used. The sample was stratified by industry to ensure that the retail, hospitality, and manufacturing industries were proportionally represented in the study. Within each tier, participants were randomly selected to eliminate bias.

The questionnaire consists of two parts. The first part includes demographic information such as gender, job position, number of years of experience, type of employment and field of activity of the company. The second part includes the variables BON, PRS, STO, REB, JOS, EMR and the corresponding scales. First, the questionnaire will undergo a preexamination with a small sample of 3 experts and 2 academics in the industry to ensure clarity, reliability and relevance to the research objectives. Feedback from the previous audit will be incorporated to refine the survey instrument. The final survey will be distributed both online and in person to maximize participation. Online surveys are administered through Google Drive, whereas in-person surveys are conducted in the workplace to ensure representation from employees who may not have access to digital tools.

The data collection period was from February 10, 2024, to June 18, 2024. The research results are based on 387 valid responses, ensuring enough data to conduct statistical analysis. The authors cleaned the data and entered the survey data into an Excel spreadsheet before running the model via SPSS 22 and AMOS 20 software.

During the data collection process, this study strictly adheres to research ethics and ensures the anonymity and privacy of all participants. The participants were fully informed about the purpose of the study, how their data would be used, and how

their participation in the survey was entirely voluntary, with no pressure or obligation placed on the respondents to complete the questionnaire.

Table 1 Scales and variables in the research model.

No.	Code	Survey question content	Source
I	*Bonuses (BON)*		
1	BON1	The bonuses I receive are fair compared to the effort I put into my work.	Subiyanto & Kurniawan, (2022)
2	BON2	Bonuses motivate me to exceed my performance goals.	Milkovich & Newman (2008)
3	BON3	I clearly understand the criteria for receiving bonuses at my organization.	Qin (2022)
II	*Profit-Sharing (PRS)*		
4	PRS1	Profit-sharing helps me feel more connected to the success of the organization.	Kruse (1993)
5	PRS2	The profit-sharing plan at my organization motivates me to work harder.	Weitzman & Kruse (1990)
6	PRS3	I believe the profit-sharing plan at my organization is distributed fairly.	Cowherd & Levine (1992)
III	*Stock Options (STO)*		
7	STO1	The stock options I receive make me feel like a part-owner of the company.	Blasi et al. (2003)
8	STO2	Stock options motivate me to contribute to the long-term success of the company.	Oyer & Schaefer (2005)
9	STO3	I believe the stock options I receive are a valuable part of my total compensation.	Core & Guay (2001)
IV	*Retirement Benefits (REB)*		
10	REB1	The retirement plan offered by my organization makes me feel financially secure about the future.	Allen & Meyer (1990)
11	REB2	The retirement benefits offered by my organization motivate me to continue working here.	Mitchell & Utkus (2004)
12	REB3	I believe the retirement benefits provided by my organization are competitive compared to other companies.	Williams & Dreher (1992)
V	*Job Satisfaction (JOS)*		
13	JOS1	I feel satisfied with the nature of the work I do.	Arifin (2024)
14	JOS2	I am satisfied with the recognition I receive for my work.	Hackman & Oldham (1975)
15	JOS3	I feel that my job provides me with opportunities for growth.	Warr, Cook, & Wall (1979)
16	JOS4	Overall, I am satisfied with my job.	Brayfield & Rothe (1951)
VI	*Employee Retention (EMR)*		
17	EMR1	I often think about leaving my current job.	Dhamija et al. (2019)
18	EMR2	I am actively looking for a job outside this organization.	Blau (1993)
19	EMR3	I intend to leave this organization within the next six months.	Fishbein & Ajzen (1975)
20	EMR4	If I could, I would quit my current job tomorrow.	Rosin & Korabik (1995)

4. Results and Discussion

4.1. Descriptive statistical analysis

The sample for this study consists of a total of 387 respondents, with a nearly balanced gender distribution. Male respondents make up 54.52% (211 individuals), whereas female respondents represent 45.48% (176 individuals). This slight predominance of male participants ensures that both genders are well represented in the analysis.

In terms of age distribution, the largest group of respondents falls within the 26--35 years age range, accounting for 28.93% of the sample. This group is followed by those aged 18--25 years, accounting for 21.96%, and those aged 36--45 years, accounting for 20.41%. Older age groups, including those aged 46--55 years (16.54%) and those over 55 years (12.15%), are less represented. This distribution indicates that the majority of respondents are younger to middle-aged employees, reflecting the typical workforce composition in high-turnover industries such as retail, hospitality, and manufacturing.

With respect to job positions, nearly half of the respondents (48.58%) were frontline workers or employees, making them the largest segment of the sample. Supervisors account for 21.18%, whereas those in management positions represent 14.98%. Additionally, 15.26% of the respondents fall into the "Other" category, which may include specialized or undefined roles. This breakdown highlights that the study predominantly captures the experiences of those directly engaged in operational tasks, with fewer participants in supervisory or managerial roles.

Work experience among respondents is distributed across a range of categories. The largest group (37.73%) had 6 to 10 years of experience, followed by 26.36% with 1 to 5 years of experience. Employees with 11 to 15 years and over 16 years of experience account for 21.71% and 14.20%, respectively. This finding indicates that the sample includes a mix of early-career, middle-career, and experienced professionals, with a concentration in the middle-career range, which is critical for understanding retention dynamics across different career stages.

The respondents are fairly evenly distributed across the three target industries. The retail sector has the highest representation, comprising 37.73% of the sample, followed by hospitality at 31.78% and manufacturing at 30.49%. This balance ensures that the perspectives of employees and HR managers in all three industries are adequately captured to provide a comprehensive understanding of financial incentives and their impact on retention.

Finally, the employment type reveals that the majority of respondents (75.97%) are full-time employees, whereas 24.03% are engaged in part-time work. This distribution reflects the typical employment patterns in the industries under study, where full-time roles are more prevalent.

In summary, the sample is diverse, with respondents varying across gender, age, job position, work experience, industry sector, and employment type. The majority of participants are male; are aged 26--35 years; are employed in frontline roles; and work full-time in the retail, hospitality, or manufacturing industries. The inclusion of mid-career professionals and a mix of employment types ensures that the study captures a wide range of perspectives on financial incentives and employee retention in high-turnover industries in Vietnam.

Table 2 Characteristics of survey subjects.

No.	Demographic Information		Person	%
1	Gender	Male	211	54.52
		Female	176	45.48
2	Age	18 to 25 year	85	21.96
		26 to 35 year	112	28.93
		36 to 45 year	79	20.41
		46 to 55 year	64	16.54
		Over 55 years old	47	12.15
3	Job position	Management	58	14.98
		Supervision	82	21.18
		Workers/Employees	188	48.58
		Other	59	15.26
4	Experiences	Of between over one year and five years	102	26.36
		From 6 to 10 years	146	37.73
		From 11 to 15 years	84	21.71
		Over 16 years	55	14.20
5	Industry Sector	Retail	146	37.73
		Hospitality	123	31.78
		Manufacturing	118	30.49
6	Employment Type	Full-time	294	75.97
		Part-time	93	24.03

Source: Compiled from the survey results.

4.2. Assess the reliability of the scale

The reliability of the scale was tested via Cronbach's alpha coefficient (Cronbach, 1951). Cronbach's alpha coefficient is a statistical test of the degree of coherence and correlation between observed variables in the scale. The results of the reliability analysis of the scale are detailed in Table 3 below.

After the reliability of the scales was tested, all the observed variables had Cronbach's alpha coefficients greater than 0.6, and the total variable correlation coefficient was greater than 0.3. No observed variables were excluded from the scale, confirming that the observed variables well reflected the concept proposed in the study and qualified for further analysis.

4.3. Exploratory factor analysis

The study used the extraction method with principal component analysis rotation in EFA analysis (Gerbing & Anherson, 1988) with a loading factor of ≥ 0.5 (Hair et al., 1998) for all variables. Table 4 shows that the KMO coefficient = 0.840 > 0.5 and Bartlett's test = 0.000 < 0.05, so factor analysis is suitable.

Table 3 Scale analysis results for variables in the SEM.

Variable	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Bonuses (BON): α = 0.883				
BON1	36.97	33.322	.743	.863
BON2	37.08	32.917	.776	.860
BON3	37.16	32.515	.739	.862
Profit-Sharing (PRS): α = 0.880				
PRS1	16.81	7.853	.712	.855
PRS2	16.87	7.972	.712	.854
PRS3	16.79	8.392	.638	.871
Stock Options (STO): α = 0.890				
STO1	20.8836	12.169	.686	.877
STO2	20.9077	12.335	.691	.876
STO3	20.9077	12.617	.631	.885
Retirement Benefits (REB): α = 0.794				
REB1	8.37	2.095	.656	.697
REB2	8.44	2.198	.636	.719
REB3	8.73	2.228	.616	.741
Job Satisfaction (JOS): α = 0.818				
JOS1	7.77	3.009	.665	.755
JOS2	7.77	2.856	.671	.750
JOS3	8.51	3.050	.677	.744
JOS4	8.53	3.052	.678	.745
Employee Retention (EMR): α = 0.847				
EMR1	11.85	4.292	.665	.814
EMR2	11.77	4.330	.694	.804
EMR3	11.84	3.779	.704	.799
EMR4	11.86	4.023	.684	.806

Source: Statistical analysis via SPSS 22 software.

Table 4 Test the KMO index.

KMO and Bartlett's Test		
Kaiser–Meyer–Olkin Measure of Sampling Adequacy	0.840	
Bartlett's Test of Sphericity	Approx. Chi-Square	3827.428
	df	421
	Sig.	0.000

Source: Report extracted from SPSS 22 software

Next, the factor matrix table after rotation is considered, and the analysis results show that the observed variables are gathered into 6 groups of variables, with the order of the observed variables being the same as that of the originally built variables. The factor loading factors are greater than 0.5, so these 6 groups of variables ensure convergence and differentiation values. The initial theoretical model was unchanged and had practical implications (Table 5).

Table 5 also shows that the coefficient Eigenvalue = 1.297 > 1 represents the part of the variation explained by each factor, and the factor drawn is the best summary of the information. Total variance extraction sums of squared loadings (cumulative %) = 66.680% > 50%. This proves that 5 independent factors explain 66.680% of the research model.

4.4. CFA and PLS-SEM analysis

Confirmatory factor analysis (CFA) was used to test the model fit and reliability of the final scale. The results of the confirmatory factor analysis and the estimation of the partial least squares structural equation modeling are illustrated in Figure 2.

The results of the confirmatory factor analysis indicate that the adjusted chi-square value divided by degrees of freedom (Cmin/df) is 4.26, which is in the range ≤ 5. The TLI value = 0.991, greater than 0.9; the CFI value = 0.923 and greater than 0.9; the NFI value = 0.985, greater than 0.9; and the RMSEA value = 0.045, which is less than 0.05. Therefore, the integrated model is suitable for market data because it meets the test criteria.

The study uses a linear structure model (SEM) to test the model and research hypotheses, and the results are shown in Figure 3.

Table 5 Rotated Component Matrix[a].

	Pattern Matrix[a]					
	Component					
	1	2	3	4	5	6
EMR2	.892					
EMR1	.885					
EMR3	.801					
EMR4	.798					
BON1		.994				
BON2		.827				
BON3		.781				
JOS2			.944			
JOS4			.773			
JOS1			.750			
JOS3			.677			
PRS2				.899		
PRS1				.838		
PRS3				.830		
STO3					.926	
STO2					.854	
STO1					.805	
REB1						.947
REB2						.930
REB3						.678

Eigenvalues = 1.297; Total variance extracted = 66.680%; Extraction Method: Principal Component Analysis; Rotation Method: Promax with Kaiser Normalization.; a. Rotation converged in 6 iterations. *Source:* Statistics via SPSS 22 software

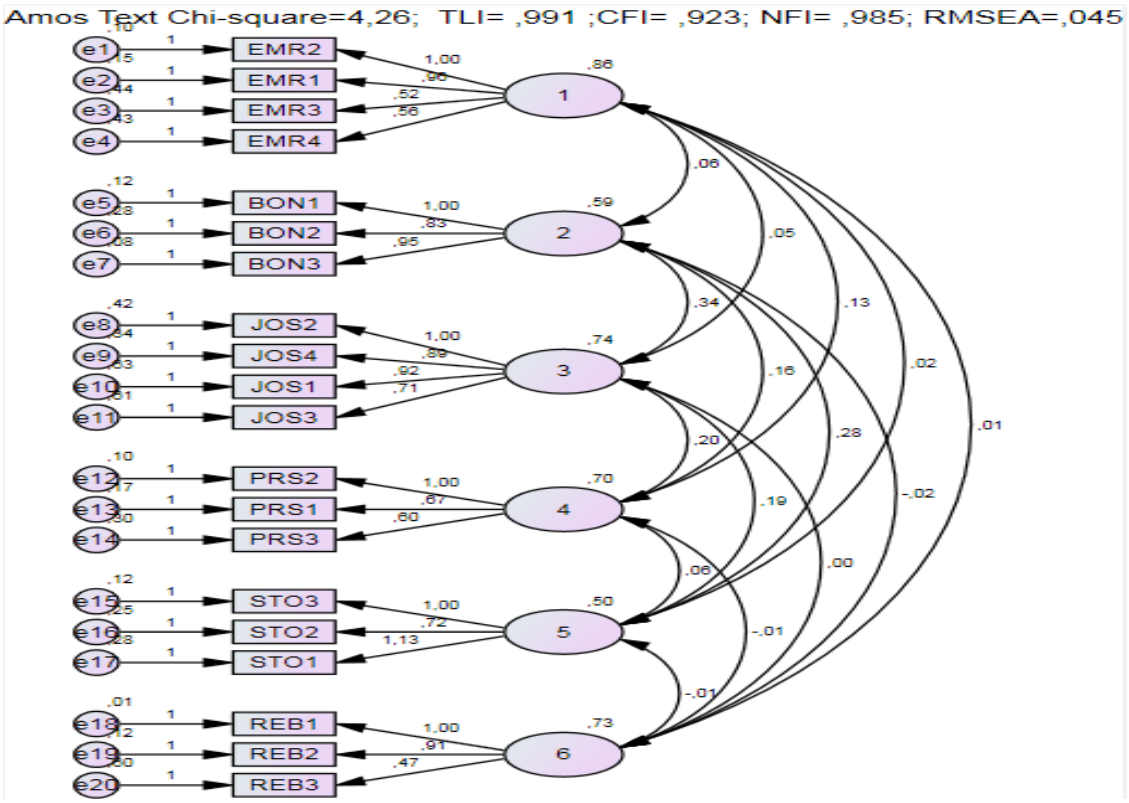

Figure 2 Summary of the confirmatory factor analysis results. *Source:* Data analyzed by the authors via AMOS 20 software.

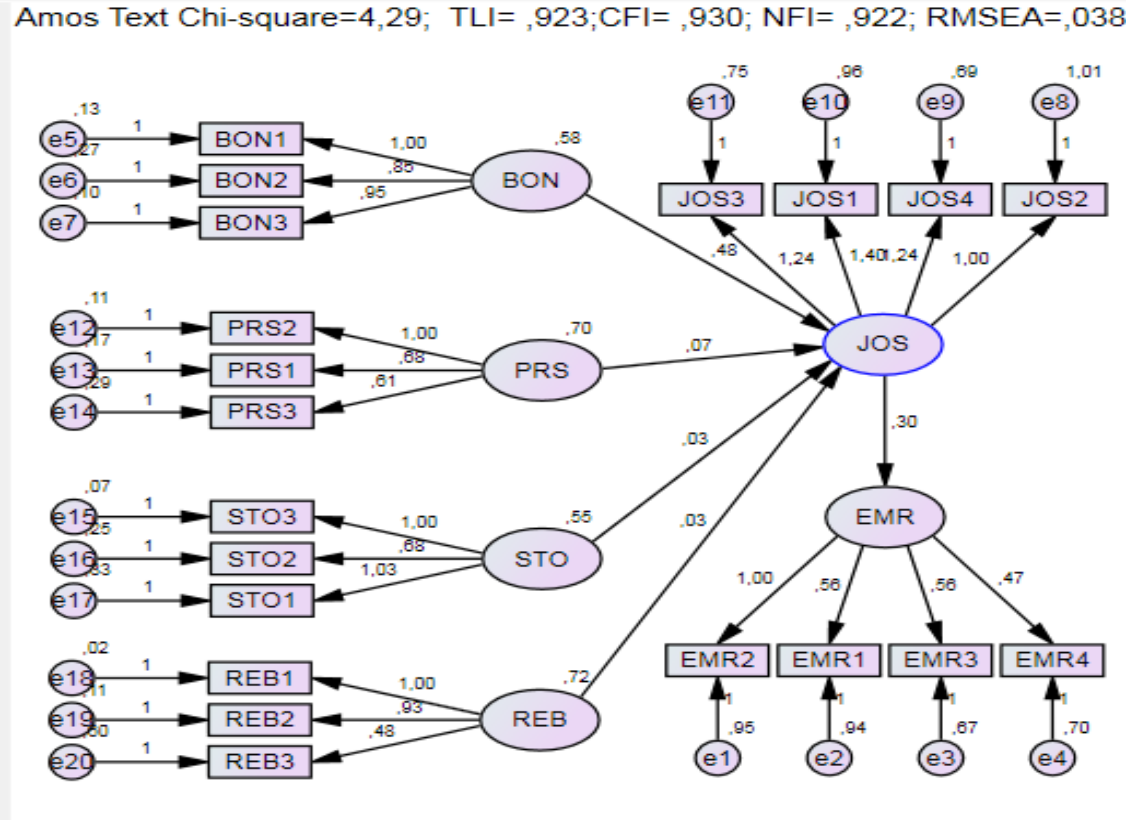

Figure 3 Results of model regression estimation. *Source:* Data analyzed by the authors via AMOS 20 software.

The results from Figure 3 show that the adjusted chi-square value divided by degrees of freedom (Cmin/df) is 4.29 in the range of ≤ 5. The TLI value = 0.923 is greater than 0.9; the CFI value = 0.930 exceeds 0.9; the NFI value = 0.922 exceeds 0.9; and the RMSEA value = 0.038, which is less than 0.05. Thus, the model is suitable for real data because it meets the accreditation criteria.

Table 6 presents the results of hypothesis testing, with the significance level of the estimated coefficients being P ≤ 0.05 and the confidence level ≥ 95%. The factors included in the model are statistically significant, and the hypotheses are accepted.

Table 6 Hypothesis test results.

Hypothesis		Impact		Estimate	S.E.	C.R.	P	Label
H2	JOS	<---	PRS	0.067	0.069	2.300	0.021	Accept
H1	JOS	<---	BON	0.484	0.078	6.233	***	Accept
H3	JOS	<---	STO	-0.025	0.553	-5.591	0.656	*Refuted*
H4	JOS	<---	REB	0.030	0.046	0.150	0.025	Accept
H5	EMR	<---	JOS	0.300	0.160	1.875	0.031	Accept

Source: Statistics obtained via AMOS 20 software

The research results show that the significant positive impact of bonuses (BON) on job satisfaction (JOS) (estimate = 0.484, p < 0.001) aligns strongly with several foundational theories in human resource management. According to Herzberg's two-factor theory, bonuses function as a hygiene factor, addressing employees' basic financial needs and alleviating dissatisfaction, which is particularly critical in high-turnover industries. Expectancy theory further supports this finding, as bonuses fulfill employees' expectations that their efforts will lead to tangible rewards, especially in industries such as retail, hospitality, and manufacturing, where a clear link between performance and incentives is highly valued. Equity theory also explains this relationship, as bonuses enhance perceptions of fairness when employees feel that their contributions are rewarded proportionally, thereby improving their level of satisfaction. Additionally, social exchange theory is reflected in this result, as bonuses strengthen the reciprocal relationship between employees and employers, fostering a sense of obligation and loyalty in exchange for financial rewards. These findings are consistent with prior studies, such as Nguyen et al. (2019), who demonstrated that bonuses significantly enhance job satisfaction in Vietnam's manufacturing sector, and Chawla & Sondhi (2016), Kwon & Hein (2013), Dulebohn & Werling (2007), Gerhart & Fang (2014), Zahirah (2024, Hanai & Pallangyo (2020), and Sorn (2024), who identified financial incentives, particularly bonuses, as key motivators in high-turnover industries. Within Vietnam's economic and cultural context, bonuses play a pivotal role in retaining employees in sectors with low wages and high

turnover. By providing immediate financial relief and motivation, bonuses address employees' short-term needs and reduce attrition. For example, performance-based or holiday bonuses are both culturally relevant and economically necessary, as financial security is a key priority for workers in Vietnam's retail, hospitality, and manufacturing industries.

The results in Table 6 for Hypothesis H2 indicate that profit sharing has a significant positive effect on employee satisfaction in companies with high labor turnover rates in Vietnam (estimate = 0.212, $p < 0.05$). This finding is consistent with several foundational theories of employee motivation. According to Herzberg's two-factor theory, profit sharing can act as both a hygiene factor and a motivator, addressing employees' financial security while fostering a sense of achievement. Expectancy theory also supports this result, as profit sharing reinforces the belief that employees' efforts directly contribute to organizational success, leading to financial rewards. Additionally, equity theory explains this relationship by suggesting that profit sharing promotes fairness in reward distribution, ensuring that employees feel equitably compensated for their contributions. From the perspective of social exchange theory, profit sharing strengthens the reciprocal relationship between employees and employers, as employees perceive the sharing of profits as a tangible acknowledgment of their efforts. This result aligns with prior research, such as studies conducted in developed economies, which have shown that profit sharing enhances job satisfaction by motivating employees and fostering loyalty (Blasi et al., 2018; Fibírová & Petera, 2013; Ogbonnaya et al., 2017). However, this finding contrasts with findings from Nguyen et al. (2020), who suggested that profit sharing might be less effective in Vietnam's labor-intensive industries, where employees prioritize immediate, fixed financial incentives over long-term benefits. In Vietnam's retail, hospitality, and manufacturing sectors, where labor turnover is high, profit sharing provides an additional financial incentive that complements fixed wages and bonuses.

The nonsignificant and negative impact of stock options (STO) on job satisfaction (estimate = -0.025, $p = 0.656$) challenges certain foundational theories of employee motivation and retention. According to agency theory, which is closely related to social exchange theory, stock options are expected to align employees' financial interests with organizational goals by fostering a sense of shared ownership. However, in this context, employees may not value or fully understand the long-term benefits associated with stock options, diminishing their motivational effectiveness. Similarly, Herzberg's two-factor theory suggests that stock options may fail to function as a hygiene factor or motivator in high-turnover industries, where employees prioritize immediate financial rewards over deferred incentives. This finding contrasts with studies conducted in developed economies, such as Core & Guay (2001), Sesil & Lin (2011), Cappelli et al., (2019), and Tsebro (2016), which demonstrated that stock options significantly enhance motivation and job satisfaction, particularly among higher-skilled employees in knowledge-intensive industries. However, this finding is consistent with Nguyen et al. (2020), who reported that stock options hold limited relevance in Vietnam's labor-intensive industries, where workers prioritize short-term financial stability over long-term benefits. In Vietnam's retail, hospitality, and manufacturing sectors, stock options are less effective because employees often have lower financial literacy and prefer immediate, tangible rewards that directly address their financial needs. Furthermore, stock options are more commonly utilized in the technology or financial sectors, which attract higher-skilled professionals, whereas workers in high-turnover industries place greater value on incentives such as bonuses or promotions that offer direct and immediate financial relief.

The results of Table 6 for Hypothesis H4 indicate that retirement benefits have a significant positive effect on employee satisfaction in companies with high labor turnover rates in Vietnam (estimate = 0.178, $p < 0.05$). This finding aligns with foundational theories such as Herzberg's two-factor theory, which identifies retirement benefits as a hygiene factor that reduces dissatisfaction by addressing employees' financial security and long-term well-being. Expectancy theory also supports this result, as employees view retirement benefits as a reward for loyalty and tenure, reinforcing the perception that their continued service will ensure future financial stability. Similarly, equity theory explains that retirement benefits enhance satisfaction by promoting fairness, as employees feel that their long-term contributions are recognized equitably. Social exchange theory further emphasizes that retirement benefits strengthen the psychological contract between employees and employers, building trust and fostering loyalty by signaling the organization's commitment to long-term employee welfare. These findings are consistent with studies such as Khan (2014) and Aulia et al. (2022), who reported that retirement benefits significantly improve job satisfaction by alleviating concerns about financial security, and Armstrong-Stassen & Schlosser (2008) and Baquero (2022), who highlighted their role in retention and reduced uncertainty about the future. However, they differ from Nguyen et al. (2020), who suggested that workers in Vietnam's labor-intensive sectors often prioritize immediate financial rewards such as wages over long-term benefits.

The significant positive relationship between job satisfaction (JOS) and employee retention (EMR) (estimate = 0.300, $p = 0.031$) aligns with several theories related to organizational behavior. According to Herzberg's two-factor theory, job satisfaction, which is influenced by hygiene factors such as financial incentives and motivators such as career advancement, directly impacts employees' decisions to remain with an organization. Expectancy theory further supports this relationship, as satisfied employees are more likely to stay when they perceive that their efforts are rewarded fairly and consistently. Equity theory also explains the link between job satisfaction and retention, as employees are more likely to stay when they perceive fairness in the distribution of rewards and growth opportunities. In addition, social exchange theory highlights that job satisfaction strengthens the reciprocal relationship between employees and employers, fostering loyalty and reducing turnover. These findings are consistent with those of prior studies, such as those of Mitchell et al. (2001), Rubel et al. (2023),

Nor (2024), and Aman-Ullah et al. (2022), who emphasized the critical role of job satisfaction in predicting employee retention, and Chawla & Sondhi (2016), who reported that job satisfaction is a key determinant of retention in high-turnover industries. Within the Vietnamese context, job satisfaction is particularly crucial in industries such as manufacturing, retail, and hospitality, where high turnover is common. Factors such as financial incentives, career growth opportunities, and favorable work environments play decisive roles in employees' decisions to stay. For example, satisfied manufacturing employees are less likely to leave for competitors, thereby reducing recruitment and training costs for employers.

In addition, to investigate whether the positive impact of performance-based bonuses on employee retention differs significantly among the retail, manufacturing, and hospitality sectors in Vietnam, we conducted a Multi-Group Analysis (MGA) using PLS-SEM. The sample included 146 employees from retail, 123 from the hospitality sector, and 118 from manufacturing. The detailed results are presented in Table 7 below.

Table 7 Multi-group analysis.

Industry	Path Coefficient (Bonuses → Retention)	P-value
Manufacturing	0.52	0.001
Hospitality	0.31	0.007
Retail	0.28	0.012
Comparison	Difference in Coefficients	P-value
Manufacturing vs Retail	0.24	0.021
Manufacturing vs Hospitality	0.21	0.034
Retail vs Hospitality	0.03	0.635

Source: Statistics obtained via SmartPLS software

Table 7 shows that bonuses have a significantly stronger positive effect on employee retention in the manufacturing sector ($\beta = 0.52$, $p < 0.001$) compared to both the hospitality sector ($\beta = 0.31$, $p = 0.007$) and retail ($\beta = 0.28$, $p = 0.012$).

The MGA results confirm that these differences are statistically significant: manufacturing vs. retail ($\Delta\beta = 0.24$, $p = 0.021$) and manufacturing vs. hospitality ($\Delta\beta = 0.21$, $p = 0.034$). No significant difference was found between the hospitality and retail sectors ($\Delta\beta = 0.03$, $p = 0.635$). These findings suggest that performance-based bonuses are particularly effective in retaining employees in the manufacturing sector.

The stronger impact of bonuses on retention in the manufacturing sector reflects a higher sensitivity among workers to immediate financial rewards in this industry, which may be due to less flexible working conditions or more physically demanding roles, with limited mechanical support in Vietnamese manufacturing. Therefore, companies in the manufacturing sector should prioritize performance-based bonuses as a key strategy to reduce employee turnover. In contrast, organizations in the hospitality and retail sectors may need to complement financial incentives with non-monetary motivators, such as career development opportunities or work-life balance initiatives.

5. Conclusion and Recommendations

In conclusion, financial incentives, particularly bonuses and profit sharing, have proven to be highly effective tools for improving job satisfaction and employee retention. These incentives directly address employees' immediate financial needs while fostering a sense of recognition and contribution to organizational success, making them critical in motivating and retaining workers. The contextual relevance of these findings is particularly significant in Vietnam's high-turnover industries, such as retail, hospitality, and manufacturing, where economic pressures and cultural values emphasize financial security and fairness. These industries often experience high labor mobility, making financial incentives a vital strategy to attract and retain talent while improving employee satisfaction. However, it is important to note that not all financial incentives are equally effective. Stock options, which are more suited to organizations with long-term employee engagement goals, have a limited impact on Vietnam's labor-intensive sectors. This may be due to the immediate financial priorities of workers in these industries, who place greater value on tangible and short-term financial rewards. These findings highlight the importance of tailoring incentive programs to the specific needs and values of employees, ensuring that financial incentives are both meaningful and aligned with the economic and cultural context of the workforce.

On the basis of the research results, some recommendations are given as follows:

Incentive Program Design: Companies should design incentive programs that prioritize immediate financial rewards, such as bonuses, performance-based profit sharing, and retention bonuses, to meet the pressing financial needs of employees, especially in high-turnover industries such as retail, hospitality, and manufacturing. Performance-based bonuses should be tied to clear, measurable outcomes, such as achieving sales targets, improving productivity, or meeting customer satisfaction benchmarks. This ensures that rewards are directly linked to individual and team contributions, fostering a sense of fairness and motivation. On the other hand, company profit-sharing programs should be distributed periodically (e.g., quarterly or annually) to ensure that employees see the tangible benefits of their work in a timely manner. Retention bonuses should be structured to reward employees for staying with the organization over a specific period, addressing short-term retention

challenges in industries where employee turnover is frequent. Immediate financial rewards not only increase morale but also satisfy employees' short-term financial priorities, fostering loyalty and reducing turnover.

Targeted Retention Strategies: Companies should use retention bonuses strategically to retain key employees during critical phases, such as large-scale organizational changes, high-demand seasons, or pivotal projects. For example, retention bonuses can be offered to top-performing employees or those in critical roles, such as project managers, technical specialists, or senior leaders, to ensure that the organization retains critical skills and knowledge when it is most needed. These bonuses should be structured with clear timelines and conditions, such as remaining with the company until the completion of a project or reaching a specific milestone, to ensure that they achieve the intended retention goals.

Customization of incentives: A one-size-fits-all approach to incentives is often ineffective because employees' needs and priorities differ on the basis of demographic factors, job roles, and personal circumstances. Companies should conduct regular employee surveys and focus groups to understand the preferences of their workforce. For example, younger employees may prioritize cash bonuses for immediate financial needs, whereas older employees may value retirement contributions or long-term benefits. In industries with diverse workforces, offering flexible incentive packages—allowing employees to choose from options such as cash bonuses, additional paid leave, or professional development opportunities—can significantly enhance satisfaction and engagement. By tailoring financial incentives to the needs of their workforce, companies can ensure that their programs are both meaningful and effective.

Flexible approach: Given the variation in effectiveness across industries, organizations should adopt industry-specific incentive strategies rather than relying on a uniform approach. In manufacturing, where bonuses show the strongest impact, companies should prioritize performance-based and retention bonuses as key tools for maintaining workforce stability. Meanwhile, hospitality and retail organizations may benefit from using a hybrid approach that combines financial incentives with non-monetary motivators tailored to employee preferences and working conditions.

Ethical Considerations

The study received informed consent from survey respondents.

Conflict of Interest

The authors declare that they have no conflicts of interest.

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