Motivation and Compensation as Predictors of Employees’ Retention: Evidence From Public Sector Oil and Gas Selling Organizations

*Muhammad Sarmad, PhD
Department of Management Sciences, Capital University of Science and Technology (CUST), Islamabad, Pakistan

Muhammad Muneeb Ajmal, Muhammad Shamim, Muhammad Saleh and Almas Malik
Department of Management Sciences, Army Public College of Management and Sciences (APCOMS), Rawalpindi, Pakistan

Employees’ retention is a comparatively latest thought in under-developed country like Pakistan. The unpredictable economic trends coupled with employees’ aspiration for career progression stimulated the analysis of specific aspects that influence employees’ retention. This empirical study reveals the impact of compensation and motivation on employees’ retention in the Public Sector Oil and Gas Selling Organizations. Data was collected through questionnaires from 112 employees of renowned public sector Oil and Gas sellers. The data was analyzed using statistical technique of multiple regression. The results indicate that substantive enhancement in motivation level and practical handling of compensation may yield a correspondingly improvement in employees’ retention. The study recommends strategies and implications that can help management of Oil and Gas selling organizations in shaping policies and practices.

Keywords: Employees’ retention, motivation, compensation, public sector

*Correspondence concerning this article should be addressed to Muhammad Sarmad, PhD, COMSATS Institute of Information Technology (CIIT), Islamabad, Pakistan.
Email: sarmad175@hotmail.com

Muhammad Muneeb Ajmal, Department of Management Sciences, Army Public College of Management and Sciences (APCOMS), Rawalpindi, Pakistan. Email: muneebmalik92@gmail.com

Muhammad Shamim, Department of Management Sciences, Army Public College of Management and Sciences (APCOMS), Rawalpindi, Pakistan. Email: sardarshamim64@hotmail.com

Muhammad Saleh, Department of Management Sciences, Army Public College of Management and Sciences (APCOMS), Rawalpindi, Pakistan. Email: muhammadsalehpm@gmail.com

Almas Malik, Department of Management Sciences, Army Public College of Management and Sciences (APCOMS), Rawalpindi, Pakistan. Email: almas_m2011@hotmail.com
Employees’ retention has always been one of the major challenges being faced by almost every organization across the globe (Sinha & Sinha, 2012). The problem tends to snowball on the face of fluctuating economic trends besides ever evolving human perceptions and aspirations. Now a days, most of the organizations find themselves ensnared in the quagmire of oft-swelling turnover. The disproportionate turnover has thus proved to be a perpetuating business dilemma (Aslam, Ghaffar, Talha, & Mushtaq, 2015). This state of affair may put the whole business arena in a state of jeopardy, if the world fails to take its stalk right in the onset. Conclusively, the retention of vital employees has become critically imperative to remain competitive in the business. It is therefore meaningful to explore the determinants of employees’ retention in competitive business environment.

Retention has received a formidable place in research during past, as well as in contemporary era. Conner (2000) claims that some universal phenomenon likes globalization, technological modernization, and organizational quest to retain the competitive edge over competitors, all contribute towards organizational need for sustained training and development of their employees. Similarly, Sinha and Sinha (2012) indentified employees’ retention as one of the most critical challenges of immediate future. There is a growing realization amongst the companies that hiring and retaining the quality employees; especially the senior management will surely shape the business in future. This nature of competition is likely to be fiercer while looking for Chief Executive Officers (Conner, 2000). The question of employees’ retention becomes more consequential for the companies in case of high potential staff who is potent to shoulder higher responsibilities in future, ‘because it takes a considerable time to reach that position (Dries & Pepermans, 2007a).

Implementation of cutthroat strategies has become idiosyncrasy of today’s business world; talent hunting has reshaped the business ethics to an extent where grabbing of skilled employee of rival becomes an accepted evil. On the other hand loser, of skilled employees also suffers a performance setback in terms of transaction cost and productivity cost (Whitt, 2006) thus experiencing a negative impact on business as a whole. Deery (2008) declared the retention and talent management as key strategies of an organization.

Since employees’ retention is significant for almost all businesses, therefore, adequate pretext is present to explore the plausible factors that count towards employees’ retention at large. In this context, Sinha and Sinha (2012) laid emphasis on certain factors to foster the employees’
retention e.g. skills recognition, learning and working environments, job flexibility, training, benefits, career development, relations with supervisor, compensation, organizational commitment, communication and motivation. On the other hand, Alberta, Jacquelyn, Tonya, Denise, and Dews (2007) claimed that there are external as well as individual factors, particularly in Government owned organizations which may influence employees’ retention; the former include job benefits, job quality, work-life balance, supervisor support and working environment; while in case of later, these are predominantly the skills and behaviors generally inhabited by an employee. Thus, some of the researchers link employees’ retention with individual’s performance and commitment (Dries & Pepermans, 2007a) while others lay their emphasis on the market trends, inflation rate and competitors’ management practices (Hausknecht Rodda, & Howard, 2009).

Notwithstanding the above, employees’ retention is comparatively new field in Pakistani context in general, and Oil and Gas sector in particular. Resultantly exploration of influencing factors also remains an overlooked phenomenon; and accordingly, the retention too becomes a souring dilemma in Oil and Gas Sector of Pakistan thereby yielding regressive financial ramifications for one of the potent organizations in the under developed country (Rahman, Naqvi, & Ramay, 2008). The review of literature thus unfolds some fundamental concepts and explanations which serve as theoretical underpinnings to clarify various terms and phenomenon that are imperative to understand. There exists a wealth of investigative evidence on varied account of contexts wherein numerous researchers have carried out an in-depth study of various determinants of employees’ retention (Eisenberger, Stinglhamber, Vandenberghe, Sucharski, & Rhoades, 2002).

Nonetheless, when viewed in the contextual arena of developing country like Pakistan the researchers including Asif, Rehman, Rehman, Safwan, and Ahmad (2011) emphasized on the significance of valuable employees’ retention for better performance in public sector organizations of Pakistan, mainly engaged in service oriented business. Apart from massive workforce the level of quality service provided by the employees and retention of better performers in public sector organizations, pursuing selling business needs to be explored for better assessment of employees willingness to work in same occupation instead of opting careers in private sector (Aslam et al., 2015).

Consequently, apart from many public sector organizations, it is revealed that applied research work is nearly non-existent in public
sector, oil and gas selling organizations including Pakistan State Oil Limited, Shell Pakistan Limited, Attock Petroleum Limited, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited, wherein employees’ retention for better performance and service quality is challenging due to the existence of private sector competitors to attract better performers. Thus, this study explores the retention of employees through compensation and motivation in public sector of developing country like Pakistan to unleash the possibilities for better retention and performance of employees.

**Employees’ Retention**

Scholars have different views on term employee retention. As per Borgohain (2010) retention is the organization’s capacity to keep its employees to work and continue in the organisation for a long period of time. Nonetheless, after having read the convergent illuminations on the phrase, one can safely conclude that on operational level, the employee retention is a methodical endeavor to create and promote an environment of policies and practices addressing the diverse employee needs thereby encouraging them to willingly remain committed to such an organization (Armstrong & Taylor, 2014).

After objective review of definitions it becomes quite evident that employees’ retention is significant because “the organization is completely at loss when the employees leave their job once they are fully trained” Concurrently, one of the principal objective of retention is to reduce unwanted voluntary turnover by valuable people in the organisation (Guma, 2011). Giving due cognizance to the problem, Phillips (2004) advised to tackle the issue of retention before it takes the shape of crisis; this piece of advice becomes more relevant on the face of proclamation (Ramlal, 2003) that critical employees present a significant challenge for the organization while they leave it.

Previous, as well as contemporary researchers has identified several factors that have an influence on employees’ retention. Dries and Pepermans (2007b) guage the retention in terms of individual’s performance and commitment whereas Michael (2008) indentified employees’ motivation as one of the hallmarks in this context. Sinha and Sinha (2012) argued that employee’ competences and self-learning along with employers’ support results in better retention level of employees. The organizational benefits together with competitive compensation system also encourage employees to stay committed and depict high retention level by meeting organizational goals.
Compensation and Employees’ Retention
The pay refers to an agreed-upon and regular compensation for employment that may be paid in any mode but, in common practice, is paid on monthly basis, whereas from organizational perspective it can be stated that salary, allowances, bonus and commission etc. accumulate and forms direct benefits where as insurance, pension plans and vacations etc. accumulate and forms indirect benefits (Armstrong & Taylor, 2014). Coming down to significance, the monetary perks and privileges have somehow become idiosyncrasy of knowledge and skills based corporate culture in modern world.

The organizations can seemingly foster the retention of high quality employee by valuing their knowledge and skills; therefore, Milanowski (2002) has stressed upon the compensation linked with knowledge and skill based system. Objectively analyzing, the good pay is a monetary reward that an employee would look forward to, and, Lawler (1998) thus claims that employee retention is influenced by the type and level of such a reward. From employer’s perspective, the employee retention is viewed as the length of his/her stay in the company, that may indirectly be termed as employee attitude towards the company, and Gerhart, Minkoff, and Olsen (1995) determines that through compensation an employer can influence the attitude of employee with reference to attraction and retention.

As regards to the prospects of retention, some researchers are of the opinion that high pay has an attraction for incumbents for any job (Nelson & Folber, 2006); resultantly, such an attraction is likely to enhance retention. Needless to argue that nowadays the evolving human needs are directly related to money; the companies must therefore offer compensation plans that are flexible enough to allow adjustments according to human needs (Franklin & Howard, 1997) these human needs must be kept in mind while the organizations wish to retain their employee; Lawler (1999) asserts that the reward system should commensurate with organizational urge to attract and retain the employees. It is evident from the literature that retention is linked with individual’s performance and commitment (Dries & Pepermans, 2007a) on the other hand, Pazy and Ganzach (n.d) claimed that compensation is highly relevant to performance as well.

Motivation and Employees’ Retention
Motivation in its literary sense means “Reason that underlie behavior that is characterized by willingness and violation. However it
also refers to internal and external factors that stimulate desire and energy in people to be continually interested in and committed to a job, role, or subject, and to exert persistent effort in attaining a goal (Poonam & Jasleen, 2015). In general sense motivation is the factor which keeps the employees stick to their work and their interest leads them to the innovation and uniqueness. Well involved and true managerial decisions, which focused maximum output, always use motivation tools.

According to Herzberg’s (1987) two factors theory, motivation is divided into two categories: first is the content based and other is process orientation based, all his discussion rotates around employee motivation based on two further divisions hygiene factors and motivational factors that’s leads an employee toward achievements, recognitions, growth and status. For motivating employees both extrinsic and intrinsic incentives moves side by side and with the deficiency of any one of them can create problems. Kreisman (2002) argues that management theory and practice has traditionally focused on extrinsic motivators like pay, benefits, status, bonuses, pension plans, expense accounts, etc. While these are powerful motivators, by themselves they are no longer enough.

Therefore, intrinsic rewards are essential to employees in today’s materialistic environment (Poonam & Jasleen, 2015). Review of available literature has revealed a substantive worth of motivation with regards to employee retention. While emphasizing to understand the element of motivation, Dermody, Young, and Taylor (2004) claimed that motivational factors are not only unique, they are dynamic as well. Kreisman (2002) cites the satisfaction as key for an employee to stay or leave an organization. Frequent communication with employees is one of important attributes of motivation, therefore Kreisman (2002) advises the managers to establish personal communication with individual employee; because stable workforce of competent and dedicated employees is the most valuable but volatile asset.

The study by Roos (2005) has proven linkages between motivation and job satisfaction which supports our argument that motivation too consequents on employee retention. Samuel and Chipunza (2009) go on to declare motivation as a cure-all factor to combat the turn over issue with an intent to foster retention as a result. Sundhya and Kumar (2011) indentified motivation as one of the important factor for employer and argue that through employees’ motivation, the employer can encourage them to enhance their skills and also by improving their morale.

Keeping in view the service quality provided by public sector oil
and gas selling organizations of Pakistan and existence of adequate literature on significance as well as underlying linkages between employees’ retention and the variable at hand, this study explores the following hypotheses:

**H1**: Compensation is likely to be positively related with employees’ retention.

In the wake of foregone status of motivation level of employees performing duties in public sector oil and gas selling organizations of Pakistan and above said literature highlighting significance of motivation, it is safely hypothesised noticed that there exists an apparent association between motivation and employees’ retention as under:

**H2**: Motivation is likely to be positively related to employee retention.

In the light of above, the study aims at carrying out the following empirical investigation to underline the impact of compensation and motivation on employees’ retention in public sector oil and gas selling organizations of Pakistan:

**Theoretical Framework**

![Diagram showing compensation and motivation affecting employees' retention]

**Method**

In order to organize the study in a systematic way, the quantitative research method was applied to collect data for further processing.

**Research Design**

The quantitative research method was pursued by conducting a survey to collect data from sample and after appropriate analysis of respondents’ perception; estimation was formed about the entire population (Kerlinger & Lee, 2000). The survey design was put forward
by collecting cross sectional data through questionnaires.

**Sample**
The regular employees serving in renowned public sector oil and gas selling organizations were targeted to analyze the relationship between compensation, motivation and employees’ retention. The representative sample of following major public sector oil and gas selling organizations was selected because it is not possible to study all geographically disperse public sector oil and gas exploration and refinery based organizations. The convenience sampling was applied to the representative sample comprises of experienced, old aged, married regular employees:

i. Pakistan State Oil Limited
ii. Shell Pakistan Limited
iii. Attock Petroleum Limited
iv. Sui Southern Gas Company Limited
v. Sui Northern Gas Pipelines Limited

The demographics of participants were not entirely used in this study, but used to show the composition of participants for better understanding of their feedback for current study:

<table>
<thead>
<tr>
<th>Variables</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-25 years</td>
<td>28</td>
<td>25</td>
</tr>
<tr>
<td>26-35 years</td>
<td>26</td>
<td>23.2</td>
</tr>
<tr>
<td>36-50 years</td>
<td>53</td>
<td>47.3</td>
</tr>
<tr>
<td>50 &lt; years</td>
<td>53</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>103</td>
<td>92</td>
</tr>
<tr>
<td>Women</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td><strong>Working Experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-5 years</td>
<td>31</td>
<td>27.7</td>
</tr>
<tr>
<td>6-10 years</td>
<td>20</td>
<td>17.8</td>
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<tr>
<td>11-15 years</td>
<td>21</td>
<td>18.8</td>
</tr>
<tr>
<td>15 &lt; years</td>
<td>40</td>
<td>35.7</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Un-married</td>
<td>26</td>
<td>23.2</td>
</tr>
<tr>
<td>Married</td>
<td>86</td>
<td>76.7</td>
</tr>
</tbody>
</table>

**Assessment Measures**
In line with the scope of this study the following measuring instruments were adopted and adapted to manage the culture differences and accurate data collection:

**Compensation.** The compensation was measured with five items...
i.e.; My salary is sufficient as per my responsibilities. The compensation items were utilized as per scope of this study from Heneman and Schwab (1985) and entails reliability of .73.

**Motivation.** The motivation was measured with five items i.e; I would like to perform the same job for longer period of time. The motivation items were utilized as per scope of this study from Hermans (1970) and entails reliability of .79.

**Employees’ Retention.** The employees’ retention was measured with six items i.e; Since years, I feel proud to be affiliated with this organization. The employees’ retention items were utilized as per scope of this study from Straughn (2005) and entails reliability of .81.

**Procedure**

After obtaining the approval from respective oil and gas selling organizations to collect feedback from specific employees, all targeted participants were briefed regarding nature of the research being carried out, to obtain their consent and cooperation. After obtaining participants’ permission and willingness, the questionnaires were handed over to them and they were asked to furnish the required information. The employees were assured that the responses would remain confidential and they were requested to give their responses as honestly as they could and not to leave any question unanswered. The questionnaires were distributed among 140 employees; nonetheless feedback was received from 112 participants, thereby yielding a response rate of 80% as a whole.

**Results**

Table 2 shows that there is significant positive relationship compensation, motivation and employees’ retention.

<table>
<thead>
<tr>
<th>Variables</th>
<th>M</th>
<th>SD</th>
<th>COM</th>
<th>MOT</th>
<th>EMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>3.33</td>
<td>0.62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td>3.58</td>
<td>0.76</td>
<td>.45**</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Employees’ Retention</td>
<td>3.62</td>
<td>0.53</td>
<td>.43**</td>
<td>.57**</td>
<td>-</td>
</tr>
</tbody>
</table>

**p < .01**
The multiple regression analysis (Table 3) shows that employees’ retention is highly dependent on both the independent variables which are compensation and motivation. The level of employees’ retention would thus significantly effected in oil and gas sector of Pakistan by giving due importance to independent variables in more objective and pragmatic manner.

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Employees’ Retention</th>
<th>$R^2$</th>
<th>$\Delta R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1 Control Variables</td>
<td></td>
<td>.01</td>
<td></td>
</tr>
<tr>
<td>Step 2 Compensation</td>
<td></td>
<td>.22**</td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td></td>
<td>.47**</td>
<td>.36</td>
</tr>
</tbody>
</table>

* $p<.05$, ** $p<.01$, *** $p<.001$

First hypothesis proposed a significantly positive relationship between compensation and employees’ retention. This presumption was supported in study as significant correlation was found. Compensation also showed a significant impact on employee retention.

Second hypothesis proposed that motivation correlates positively with employees’ retention; which means higher the motivation of the employee, higher will be the employees’ retention. The findings had been supported. Further, motivation showned significant impact on employees’ retention.

**Discussion**

The study shows that employees’ retention has been significantly effected by motivation but compensation also seeks attention in major public sector Oil and Gas selling organizations of Pakistan. The study depicts that employees’ retention is one of the main challenges to be dealt by existing managers. Ahmadi and Alireza (2007) emphasize the significance of employees’ retention for better performance in under developed countries like Pakistan. The high impact of motivation on employees’ retention reveals that intangible aspects are more important for retaining resourceful employees (Ali & Shakil, 2009) rather than focusing on tangible aspects of compensation.

The major attribute of employees’ retention is motivation in Oil and Gas sector of Pakistan which explained that this sector cannot be safeguarded through substantive jump in compensation by overlooking the
motivational factor. The results supports the research of Hymowitz and Murray (1999) who argued on the worth of motivation apart from other factors effecting retention of employees. The factor of motivation is required to be re-viewed in retention context (Herzberg, 1987) as well as in cultural context of Pakistan; where individual yearning for recognition, applause, timely exhibition of compassion and direct communication are indespensable attributes of social fiber.

On the other hand compensation also impact employees’ retention which is consistent with the findings of Jorgensen (1996) for recognizing compensation in employees’s retention plans. The signifincance of compensation is based on the argument of a peculiar family structure in Pakistan characterized by the custom of single earning figure in a house, the size of which is invariably improportionate to marginal income of family head. Therefore, overriden by everincreasing cost of living, the employees and workers of today have become money focussed more than ever. In such an instance the Oil and Gas sector of Pakistan can not afford to overlook this important factor of employees’ retention.

This research study showed that employees need to be financially comfortable to remain committed with the organization that pays them well but compensation is not the only reason for better retention of employees. Therefore, motivation stamped its worth to retain employees in all kinds of circumstances. Conclusively the Oil and Gas selling organizations of Pakistan should strive to take advantage of the study results that surfaced in support of acceptance of our hypothesis and augment more focus on motivational aspects than compensation. Being developing country motivation needs to be inculcated for retaining better workforce rather developing compensation plans as percetived in developed countries. The study also emphasized that other factors effecting employees’ retention need to be focused by conducting comprehensive research studies in near future.

**Limitation.** There are number of organizations in Oil and Gas public sector comprises of exploration, refinery and selling based operations in Pakistan, that are scattered across the country; but due to access and resources constraint, the study of employees’ retention under the influence of compensation and motivation was carried out at a relatively narrow scale. Therefore, depending upon the scale of study, the results are likely to fluctuate despite showing no major alteration in our theoretical presumptions.
Implications. The study outcomes have some pertinent implications for public sector Oil and Gas selling organizations in Pakistan. The organizations should devise a comprehensive motivational process aimed at nurturing organizational commitment amongst employees for their long term retention. The aspect of compensation should be given due meaning in periodic reviews, and pragmatic steps should be taken to revise it, whilst keeping in view the ascending living cost of incumbents and workers. Since compensation and motivation are not the only retention factors, therefore the sector under study should initiate another study to find other vital predictors as well. This may help them in better addressing the issue of employees’ retention. Since there is evident role of our socio-cultural dimensions in shaping the individual’s behaviour, therefore; the organizations must not overlook motivation while formulating their employees’ oriented policies.

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