

**MOTIVATION AND COMPENSATION AS PREDICTORS OF
EMPLOYEES' RETENTION: EMPIRICAL STUDY OF A
PUBLIC SECTOR ORGANIZATION**

Dr Mansoor Ahmed Soomro

Assistant Professor, University of Sindh
Mohtarma Benazir Bhutto Shaheed Campus, Dadu

ABSTRACT

Pakistan is a developing country, where employee retention is a fast-growing subject and it is considered a unique form of an idea. The unusual economic changes of today's era are directly connected with the employees' progress and growth in an organization, it is analyzed that the retention of employees' is connected with his growth and promotions. If the employee is provided with timely and due promotions, then these are retained otherwise they seek options to turnover. The study examined the impact of motivation and compensation on employee retention in Sui Southern Gas Company Dadu. The data was collected from the very professional public sector Sui Southern Gas Company Limited Dadu in the form of 80 questionnaires from different employees of various SSGCL sections. The data are analyzed through statistical tests and multiple techniques. The results show that constant improvement in motivation level and practical exercise of compensation might bring improvement in employee retention. Motivation and compensation are directly associated with employee retention. The recommendations of this study are very useful for the company's (SSGCL) management, various strategies and implications are recommended for policymaking.

Keywords: Employees retention, motivation, compensation, Sui Southern Gas Company Limited

INTRODUCTION

Study Background: Natural resources for any country are a blessing. Pakistan is one of the luckiest countries that has been gifted with a lot of natural resources. Sui natural gas is also one of them, which is discovered in less aware town Sui from district Dera Bugti province Balochistan in 1952 while drilling well by Pakistan Petroleum Limited. Sui gas played the biggest role in Pakistan's

infrastructure and provided important resources for industrial growth. The gas pipeline is divided into two sections, one is Sui Northern Gas Pipeline Limited (SNGP), and the second is Sui Southern Gas Company Limited (SSGC). SNGP is serving users in North Central Pakistan from the big system in Khyber Pakhtunkhwa (KPK), Punjab, Kashmir, and Azad Jammu. On other side, SSGC is serving users in Sindh and Balochistan. Pakistan's Government is retaining maximum shares of the company. Sui southern gas has many headquarters, and Dadu headquarter (HQ) is one of the richest HQs of it. The transmission team is working on the ground structure of Dadu headquarter. The transmission team visits all installations of pipeline network and checkups on monthly basis because, from Dadu HQ, it spread everywhere.

Motivation is enforced for doing any organizational task. Motivation has two factors, first internal and second external factor that continuously motivates as well as commit toward a job position or efforts to reaching a SMART goal. In other words, "Reason that underlies behavior that is characterized by willingness and violation" (Poonam & Kaur, 2015). Usually, motivations mean the factors, which bound employees in an organization to their work that leads towards uniqueness as well as innovation. This ultimately will lead toward the highest production, therefore, always use motivation tools to attaining organizational goals. According to Herzberg (1987) two-factor theory, motivation is purely categorized into two factors: the first content-based, other is process orientation-based. Further, all factors are moving surrounding employees' factors into two categories of motivational and hygiene factors. According to Kreisman (2002) that employees are traditionally motivated by extrinsic motivators, for example, benefits, pay, bonuses, status, plans of pension, expenses, etc. these all factors are powerful but does not continue longer. Poonam and Kaur (2015) explored that intrinsic rewards are very necessary for the modern environment which is a materialistic base. According to Roos and Eeden (2008), there is a link between motivation and satisfaction that leads to employee retention. Samuel and Chipunza states in 2009 that the motivation factor is very important for every employee in an organization through motivation "the employer can encourage them to enhance their skills and also by improving their morale".

Compensation, in other words, is pay which is given to an employee that is agreed by the employer at the time of recruitment on monthly basis distribute salary commonly. An organization can give them in the shape of allowances. Salaries, commissions, bonuses, etc., insurance plans, and pension plans too which motivate employees to retain in that organization. Day by day organizations focus on the compensation systems to improve their productivity (Poonam & Kaur, 2015).

Employee retention is found to be a very crucial factor for development and can be objectively oriented for organizations. For any sector, employee retention can be crucial to get a competitive advantage. Today, employee/employer relationships are affected heavily by changes in a technological, global economy, and trade agreements. Currently, loyalty is a strong touchstone for that relationship between employee and employer. Even a company can be severely affected once the capable employee switches to another job. The serious reason for deserting organization is dissatisfaction, non-remunerative, and lack of motivation. Further, once an employee sticks to the organization can pose many hardships for him. In return, employee adopts certain tactics like rising in their wages, non-compliance with company's practices, and just are good at dealing with colleagues and only follow managers' directions (Coff, 1997).

Every Organization wants satisfied and loyal customers in their working environment. Every single employee is part of an organization; it does not matter what is the size of an organization. To get success or achieve a company's goal is not only who you hire but its task is to which you retain (Kennedy & Daim, 2010). The biggest modern challenge for managers is to recruit skilled and talented employees and give them rewards policies according to their working performance in an organization (Rossi, 2018).

The study shows a direct relationship between employee retention and the company's productivity and growth. Teamwork between employees and management increases motivation level among employees where they can work independently without stress, this act retains the employees and create high performance it can value the organization's mission and vision (Hussein, 2017).

The research gap for this research paper is that the gap means missing information or unexplored information that needs to be filled by research and there is not any specific research paper to check the

impact of motivation and compensation on employee retention in Dadu city, therefore, the researcher took employees of the SSGC Dadu office to analyze the relationship among motivation, compensation, and employee retention.

STATEMENT OF PROBLEM

Every organization meets increasing turnover rates of employees, Sui southern gas company Dadu is also facing this problem, and current management is looking to overcome the problem. Consistently doing work without any motivation or any reward or benefits employee feeling lost, stressed burnout, and demotivated, and this situation affects the organization's productivity and employee seeks new work at the market, it increases the turnover ratio, and SSGC is losing his talented and skilled employees. The study is attempted to model the type of motivational factors for employees' work satisfaction and employee retention in Sui southern gas Dadu.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

- To find out the factors which motivate workers of Sui Southern gas company Ltd.
- To explore the impact of compensation on employee retention at Sui Southern gas company Ltd.
- To explore the main retention factors for employees of Sui Southern gas company Ltd.

RESEARCH QUESTIONS

- What factors motivate workers of Sui Southern gas company Ltd.?
- Does motivation have an impact on employee retention?
- Does compensation influence employee retention?

SCOPE OF STUDY

In less developed countries like Pakistan is a nearly and most modest idea for better innovations for an organization is to retain its employees with retention strategies toward employee motivation internal or external desires, inspiration, needs, and compensation pay, salary, pension. This study reveals the impacts of workers' inspiration or motivation pays or compensation, the scope of this study is to move

fast and more productive in competitive edge with strong employee retention with employee's motivation and compensation in Sui Southern Gas Company Limited Dadu HQ discovered techniques, suggestions that can improve this company's management's decisions.

LITERATURE REVIEW

Motivation: Motivation means internal force or feeling that can make you do something or achieve something. Motivation is defined as some factors that can reason someone to act in certain ways or directions (Chaudhary & Sharma, 2012). Motivation plays an important role in everyone's life; it inspires us to comply with life's goals. Worker motivation is a champion among the most important parts of an organization's headway and accomplishment. Motivation is the most critical variable for achievement and accomplishment. Motivation shows the efforts of a person that how he acts towards his work, it determines that the effort will be exerted (Muhammad & Memon, 2012). Top performers are those who are fully motivated and consistently provide high-quality products to organizations, and high-quality productivity leads to competitors in markets (Hussein, 2017; Hunjra, Raza, & Munir, 2014). Motivation is a mental procedure that sources the incitement, course, and determination of conduct (Negash, Zewude, & Megersa, 2014). Yousaf et.al., (2014) characterize motivation "as the inward and outside variables that motivate the enthusiasm and energized enthusiasm for individuals to be devoted to occupation and to the consistent diligent work to finish that assignment". Motivation is the most critical variable to influence the workers both emphatically or contrarily. Employees can be emphatically propelled if rewards and supportive gestures are appropriately given to them and the other way around. Furthermore, motivation is considered an important factor to retain employees because high motivation leads to high satisfaction, and high satisfaction retains employees as motivation leaves no reason to switch to another job.

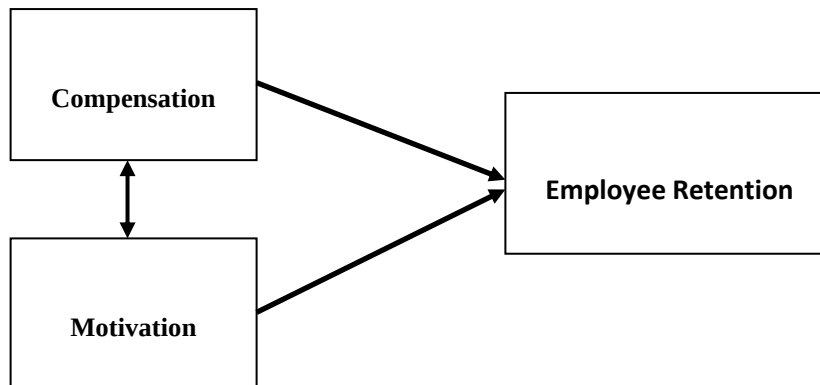
Compensation: Compensation keeps very much importance, particularly in Human Resource Management. Because it is the factor that keeps the employee in an organization for achieving organizational goals in the shape of financial and non-financial rewards. The compensation system plays a crucial role between employees as well as organizations to commitment with particular

company. According to Willis, the Compensation system of organization plays main role to attract employees to recruit that organization and keep going on work that will lead toward loyalty, and ultimately it will not leave organization (Willis, 2000). The basic purpose of leaving organization is compensation, it also influences employee behavior and another purpose of an employee leaving organization is motivation too, therefore, Compensation and motivation affect the retention of employees in organization (Parker & Wright, 2001). Every employee discusses compensation system issues. Not only employee wants only money from organization but they also want some position, social status, reputation of power into that organization. Researchers found that employees differentiate via compensation system due to retain quality and attract employees in a past study done by Allen, Shore, & Griffeth in 2003. Furthermore, Compensation system must be capable of attracting as well as retaining the right person for the right job and in last, it should maintain the fair treatment to every employee.

Employee Retention: According to Zineldin, retention is a course of action to continue an ongoing business (Zineldin, 2000). Retention as per Gaudin, Hanai, Chaminade, & Baillet, (2007) maintained work by an organization to attract employees for the long term and to prevent loss of competent personnel that might have an enormous effect on efficiency and productivity. However, for managers and HR practitioners' retention is a highly challenging job because studies have indicated major key factors like organizational culture, strategy, pay and benefits philosophy and career development systems are hardly in an agreement in a hostile economic environment. The above definitions explain many situations but many employees are no longer allegiance with the organization and on the other hand, its employers tried to keep staff by leaving a job because of the expenses covered by recruiting and retraining of employees. One of the traditional ways of managing retention and turnover is through an organizational reward system and according to Werther (1996) reward is anything which employee receives in return for organizational contribution and it could be in form of salary, promotion, or any other incentives. If the reward system is highly managed then it will help to achieve organizational objectives but when employees observed a low reward system, then they leave organization and replacement can be costly or may not be available for the right time. The new recruitment

is also a long process and then training employee again is another problem. Therefore, companies avoid new recruitment, they prefer employee retention rather than new recruitment. Studies on employment retention proved that maintaining a reward system is having low cost rather than recruiting new employees. Employee retention has benefits such as customer satisfaction, better service, lower cost, positive word of mouth, higher market share, higher productivity, and efficiency. On the other hand employee turnover has been proved to bring problems. Several factors came out to explain the reason for employees leaving one organization for others. Some of the reasons highlighted by Abbasi & Hollman (2000) “are hiring practices, management style, lack of recognition, toxic work environment, lack of interesting work, and lack of job security, lack of promotion and inadequate training and development opportunities. These factors are divided into intrinsic and extrinsic variables. Intrinsic variables include achievement, recognition, the work itself, responsibility, advancement, and employees cited growth while extrinsic factors are competitive salary, good interpersonal relationships, friendly working environment, and job security. Management should use a combination of both intrinsic and extrinsic variables as an effective retention strategy”. Other studies of employee retention showed those workers are more committed to the work who is more satisfied by the organization and have higher intention to stay with their organization for the longer term, so high satisfaction ought to be connected to employees. Besides, customer retention and between the fulfillment of employee needs and customer delight there is a smooth line. If an organization recruits the best personnel the retention efforts begin. Employers must sketch a clear picture of organizational culture, beliefs, demands, and opportunities within the organization if they hope to match personnel with the company’s climate and culture.

FIGURE-1
THEORETICAL FRAMEWORK



Source: Designed for Study

RESEARCH METHODOLOGY

To conduct the study in an organized way, quantitative research was applied to collect responses for further processing. To collect the responses by a survey from sample, the quantitative method was followed and after appropriate analysis of respondents' "perception; estimation was formed about the entire population" (Kerlinger & Lee, 2000). To collect the data for a cross-sectional study the overviewed design was put further through questionnaires. The regular workers serving in renewed open division gas offering associations were focused to analyze the "relationship between compensation, motivation, and employee retention". The worker sample of the following significant open part gas offering associations was chosen since it isn't conceivable to study all topographically scatter open division gas investigation and refinery based associations. The comfort sampling was applied to the employee sample involves experienced, old aged, married ordinary representatives:

1. Sui Southern Gas Dadu Head Quarter Section A
2. Sui Southern Gas Dadu Head Quarter Section B

Sui Southern Gas Dadu headquarter was utilized as the examination in this exploration.

The Sui Southern Gas Dadu HQ is drawn in to give quality Gas in the area and offers an assortment of administration to deliver high forced Gas for the nation for monetary, political, business, and social improvement.

The goal of this investigation is to analyze the effect of inspiration and pay level among the representative maintenance of the overall population segment Sui Southern Gas Dadu HQ. The scientist utilized quantitative review as the real strategy to discover the effect. Quantitative reviews are intended to fit a survey plan. This is the most regularly utilized strategy in research. The whole representatives (both administration and staff) of open segment Sui Southern Gas Dadu HQ, working at various dimensions were set as the objective populace of this examination. The contract staff was likewise included.

An aggregate of 80 workers over the Dadu HQ was come to with the research questionnaire. The scientist utilized a basic arbitrary examining strategy in choosing the example estimate. This technique offered break even with an open door for every individual from the populace to be examined. The embodiment of utilizing this strategy was to maintain a strategic distance from research inclination.

RESULTS AND DISCUSSIONS

TABLE-I
DESCRIPTIVE STATISTICS

	N	Minimu m	Maximu m	Mean	Std. Deviation
Gender	80	1	1	1.00	.000
Age	80	1	4	2.83	1.065
Education level	80	1	3	1.67	.742
Working experience	80	1	4	2.57	1.145
Income level	80	1	3	1.73	.856
Valid N (list-wise)	80				

The table shows the demographic statistics of the employees working in the company, total respondents were 80 and they were requested to notify their gender, age, education level, since how long they are working with the company, and income level of the employee.

TABLE-2
RELIABILITY STATISTICS

Cronbach's Alpha	N of Items
.912	34

This study reliability statistics table has two columns, the right one defining N of the item which means the total number of items and the left one is the value Cronbach's Alpha which is showing .912% reliability of the total variables which is above the required value of .70 and has 0.912 which indicate that the items are reliable for further interpretation.

TABLE-3
MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.626 ^a	.391	.376	.79021391
a. Predictors: (Constant), Compensation, Motivation				
b. Dependent Variable: Retention				

The table of model summary regression defines an independent and dependent variable's regression value. This data table has been acquired through step by step regression model value. The variable model represents a positive R-value and it's a good sign and has strong relationships with the dependent variable and independent variable and also positive values of Adjusted R². This model represents the strength of the variable's relation among them. According to SPSS-18 a predictor of a set model of variables. The result of this study is showing 37.6% of variables are fit for the model which is a sign of positive and also acceptable.

TABLE-4
ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1	30.918	2	15.459	24.757	.000 ^a
Regression					
Residual	48.082	77	.624		
Total	79.000	79			
a. Predictors: (Constant), Compensation, Motivation					
b. Dependent Variable: Retention					

This ANOVA table reveals a model summary for the dependent variable and independent variable among them. It is showing that the analysis of variance which means is the dependent variable and the independent variable is contested by the group and dissimilar gender.

It will help focus on multiple effects of persons on the dependent and independent variables.

TABLE-5
CO-EFFICIENT

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.435E-17	.088		.000	1.000
	Motivation	.182	.110	.182	2.651	.031
	Compensation	.500	.110	.500	4.533	.000
a. Dependent Variable: Retention						

This is a dependent and independent variable's table of coefficient values. This table is showing that the co-efficient value is more prominent than .3 that indicates the fine strength. It shows the effect of variables among them. If the value increases, it affects more significantly. This table has two independent variables are positive impact and it's significant at .031 and .000 respectively

TABLE-6
HYPOTHESES RESULTS

Sr.No	Hypothesis	Accepted	Rejected
	"Motivation has a positive relationship with employee's Retention"	√	
	"Compensation has a negative relationship with employee's Retention"		√

DISCUSSION AND CONCLUSION

Through this work, it is noticed that employees are highly attracted by motivation although compensation needs major attention to attract employees in SSGC HQ Dadu. The research indicates that managers are facing many problems regarding employee retention. Sarmad et.al., (2016) emphasize the importance of employee retention for effective performance in various industries of a country like Pakistan. This work discovers that effective extrinsic motivation retains important and resourceful employees towards the organization (Kaliyamoorthy, Hamoud Al- Shibami, Nusar, & Ghosh, 2018) and compensation has also a positive influence on employee retention.

Compensation in terms of financial packages is more effective to retain an employee within the organization.

In Sui southern gas company limited Pakistan Dadu HQ it is been noticed that motivation and compensation retain many more employees, so the company cannot overcome any situation of compensation by negating employees' motivation. The results of this work also endorse Aguenza & Puad Mat Som (2012) who argued that motivation is a greater retention tool than any other factor effect on employees. In the retention context, the motivational factor needs review (Herzberg,1968) especially in the Pakistani cultural context; where promotions, time to time need of applause, direct communication, and personal relations are indispensable attributes of social fiber.

Although the retention of employees is affected by compensation and the results are consistent with the research of (Jorgensen, 1996) used for identifying employees' retention schemes in compensation. In Pakistan, the culture of a family system is very important to be noticed, as in the whole family only head of a family is responsible to look after overall issues of finance, health, education, etc. This is a very important aspect to be brought on argument over compensational preferences and significance, as this formula of family system brought companies to fill this factor via (basic needs) compensating the employees much more for retention. Therefore, with the passage of time money attracts people more than anything else, costs of standards are growing and money is the only retention in Pakistan's industries. In such an instance it is difficult for SSGCL to look after and even it cannot afford.

This study shows that the employees are more comfortable with the money than another thing, employees remain more committed with strong financial strength and with this retention grows, but compensation is not the only tool of retention. Therefore, motivation has also shown its worth to retain an employee in all sorts of circumstances. Conclusively the SSGCL Pakistan Dadu HQ should bring this to notice that compensation is not only the tool of retention, but motivation is also much stronger than compensation. Being a developing country motivation needs more focus as people work hard and strengthen their potentials. The study also emphasized that other factors must also be conducted in research forms as people must be educated and should be aware of the current situation. The hypotheses

which were drawn as also proved that motivation and compensation have a positive impact on employee retention, both can be considered as a basic tool for retention.

REFERENCES

- Abbasi, D. M., & Hollman, D. W. (2000). Turnover: The Real Bottom Line. *Public Personnel Management*, 333-342.
- Aguenza, B. B., & Puad Mat Som, A. (2012). Motivational Factors of Employee Retention and Engagement in Organizations. *International Journal of Advances in Management and Economics*, 88-95.
- Albert, Jacquelyn, D. D., & Tonya. (2007). Motivation and Compensation as Predictors of Employees' Retention: Evidence From Public Sector Oil and Gas Selling Organizations. *Journal of Behavioural Sciences*, Vol. 26, No. 2, 2016, 178.
- Allen, D. G., Shore, L. M., & Griffeth, R. W. (2003). The Role of Perceived Organizational Support and Supportive Human Resource Practices in the Turnover Process. *Journal of Management*, 29(1), 99-118.
- Chaudhary, N., & Sharma, D. (2012). Impact of Employee Motivation on Performance (Productivity) In Private Organization. *International Journal of Business Trends and Technology*, 2(4), 29-35.
- Coff, R. W. (1997). Human Assets and Management Dilemmas: Coping with Hazards on the Road to Resource-Based Theory. *The Academy of Management Review*, 22(2), 374-402. doi:10.2307/259327
- Dries, & Pepermans. (2007). Motivation and Compensation as Predictors of Employees' Retention: Evidence From Public Sector Oil and Gas Selling Organizations. *Journal of Behavioural Sciences*, Vol. 26, No. 2, 2016.
- Gaudin, K., Hanai, T., Chaminade, P., & Baillet, A. (2007). Retention behaviour of polyunsaturated fatty acid methyl esters on porous graphitic carbon. *Journal of Chromatography A*, 56-64.
- Herzberg, F. (1968). One more time: How do you motivate employees? *Harvard Business Review*, 53-62.
- Herzberg, F. (1987). One more time: How do you motivate employees? *Harvard Business Review*, 65(5), 109-120.
- Hunjra, A. I., Raza, H., & Munir, I. (2014). The Role of Employee Retention and Employee Productivity on the Performance of Oil &. *International Journal of Economics and Empirical Research*, 449-453.
- Hussein, F. (2017). *A multiple case study on employee engagement and retention at startup companies*. Helsinki: Hanken School of Economics.
- Kaliyamoorthy, S., Hamoud Al- Shibami, A., Nusar, M., & Ghosh, A. (2018). Effect Of Motivation On Employee Retention In Malaysian Hotels. *International Journal of Management and Human Science*, 37-42.
- Kennedy, E., & Daim, T. (2010). A strategy to assist management in workforce engagement and employee retention in the high tech engineering environment. *Evaluation and Program Planning*, 468-476.

- Kreisman, B. J. (2002). Insight into employee motivation, commitment, and retention. *Business Training Experts*, 4(8), 27-41.
- Muhammad, G., & Memon, U. (2012). Determinants of Employee Motivation - A Case Study of Afroze Textile Industries Limited, Karachi, Pakistan. *IOSR Journal of Business and Management (IOSR-JBM)*, 22-25.
- Negash, R., Zewude, S., & Megersa, R. (2014). The effect of compensation on employees motivation: In Jimma University academic staff. *Basic Research Journal of Business Management and Accounts*, 17-27.
- Poonam, M., & Kaur, B. J. (2015). Impact of compensation management on employee motivation: a case study of Malviya urban cooperative bank. *International Journal of Scientific Research and Reviews*, 4(3), 59-71.
- Roos, W., & Eeden, R. V. (2008). Relationship between employee motivation, job satisfaction, and corporate culture. *SA Journal of Industrial Psychology*, 38(3), 141-156.
- Rossi, M. (2018). *Characteristics of Employee Turnover: A Case Study of Industrial Product and Service Provider*. Tampere: University of Tampere.
- Samuel, M. O., & Chipunza, C. (2009). Employee retention and turnover: using motivational variables as a panacea. *African Journal of Business Management*, 3(8), 410-415. doi:10.5897/AJBM09.125
- Sarmad, M., Ajmal, M. M., Shamim, M., Saleh, M., & Malik, A. (2016). Motivation and Compensation as Predictors of Employees' Retention: Evidence From Public Sector Oil and Gas Selling Organizations. *Journal of Behavioural Sciences*, 26(2), 174-188.
- sinah, & sinah. (2012). Motivation and Compensation as Predictors of Employees' Retention: Evidence From Public Sector Oil and Gas Selling Organizations. *Journal of Behavioural Sciences*, Vol. 26, No. 2, 2016, 175.
- Werther, W. B. (1996). *Human Resources and Personnel Management 5th Edition*. McGraw-Hill.
- Willis, C. (2000). Go for your goals. *Working woman*, 6-7.
- Yousaf, S., Latif, M., Aslam, S., & Saddiqui, A. (2014). Impact of Financial and non Financial Rewards on Employee Motivation. *Middle-East Journal of Scientific Research*, 21(10), 1776-1786. doi:10.5829/idosi.mejsr.2014.21.10.21756.
- Zineldin, M. (2000). Beyond relationship marketing: technologicalship marketing. *Marketing Intelligence & Planning*, 9-23.
-