

**Majors: HRM**

**S.No. H/23**

**Impact of Compensation and Conducive Environment on Employee  
Retention; a Mediating Role of Job Satisfaction**



**BAHRIA UNIVERSITY**

**Discovering Knowledge**

**By**

Munawar Ali                      01-222202-012

MBA 2years

**Supervisor**

Dr. Qazi Abdul Subhan

**Department of Business Studies  
Bahria University, Islamabad  
Spring-2022**

FINAL PROJECT/THESIS APPROVAL SHEET

Viva-Voce Examination

Viva Date 01 / 08 / 2022

**Topic of Research:** Impact of Compensation and Conducive Environment on Employee Retention;  
a Mediating Role of Job Satisfaction.

**Names of Student:** Munawar Ali                      **Enroll #** 01-222202-012

**Class:** MBA 2 years

**Approved by:**

---

**Dr. Qazi Abdul Subhan**

Supervisor

---

**Saman Javed**

Internal Examiner

---

**Dr. Mohsin Ullah**

External Examiner

---

**Dr.Syed Haider Ali Shah**

Research Coordinator

---

**Dr.Khalil Ullah Mohammad**

Head of Department Business Studies

### **Dedication....**

I dedicate my dissertation work to my family and many friends. A special feeling of gratitude to my loving parents, whose words of encouragement and push for tenacity ring in my ears. I also dedicate this dissertation to my friends who have supported me throughout the process. I will always appreciate all they have done.

## **Acknowledgement**

I would like to extend my first and most gratitude to almighty God, without whom nothing good is possible. I would express my deepest gratitude to my supervisor Dr. Qazi Abdul Subhan for his motivation, support, direction, return kind and massive knowledge. He guided me throughout my research work. Lastly, I acknowledge my friends for all inspiration and ethical support and my parents for all the inspiration and moral and financial support for my education.

# Table of Contents

CHAPTER 1 .....	1
INTRODUCTION .....	1
1.1 Background .....	1
1.2 Problem statement of research .....	4
1.3 Research Questions .....	4
1.4 Research Objectives .....	4
1.5 Significance of the Study .....	5
CHAPTER 2 .....	6
LITERATURE REVIEW .....	6
2.1 Introduction .....	6
2.2 Definition of variables .....	6
2.2.1 Compensation packages .....	6
2.2.2 Employee retention .....	6
2.2.3 Job satisfaction .....	6
2.2.4 Conducive environment .....	6
Conducive Environment, Job Satisfaction and Employee Retention .....	7
CHAPTER 3 .....	13
RESEARCH METHODOLOGY .....	13
3.1 Research Methodology .....	13
3.1.1 Research Approach .....	13
3.1.2 Paradigm .....	14
3.1.3 Research Design .....	14
3.2 Population .....	14
3.2.1 Sample and sample size .....	15
3.2.2 Sample unit .....	15
3.2.3 Sample selection technique .....	15
3.2.4 Research instrument .....	15
3.2.5 Data Analysis Techniques .....	15
CHAPTER 4 .....	16
DATA ANALYSIS .....	16

4.1	Introduction.....	16
4.1.1	<i>Table 1: Reliability Statistics</i> .....	17
4.1.2	<i>Table 2: Model Fit (ANOVA) Results</i> .....	18
4.1.3	<i>Table 3: Regression Coefficient</i> .....	19
	Correlation Analysis .....	20
4.1.4	<i>Table 4: Correlation Analysis</i> .....	20
CHAPTER 5 .....		21
DISCUSSION, CONCLUSION, RECOMMENDATIONS .....		21
5.1	Conclusion .....	23
5.2	Recommendations.....	24
References.....		25

## **Abstract**

Compensation and conducive environment have positive impact on Employee satisfaction and performance. Study focused mainly on the impact of compensation packages and conducive environment on employee retention in private sector of Pakistan. In our study conducive environment and compensation packages are taken as independent variable. Where employee's retention taken as dependent variables and employee retention considered as mediator. The purpose of this study is to identify the relationship between compensation packages and conducive environment on the employee satisfaction and employee retention. To study the relationship between these variables, a survey has been conducted through a defined questionnaires by giving chance to private organization employee to fill the defined questioners. The data is collected from different private companies located in Rawalpindi and Islamabad. The data will analysis by using IBM SPSS software which includes descriptive frequencies, reliability, correlation, regression. The study discloses that compensation packages and conducive environment had a positive impact on employee satisfaction and employee retention.

**Keywords:** compensation packages, Conducive Environment, Job satisfaction, Job retention.

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

Every organization has a set of goals and objectives. To achieve those goals organizations, want to have competent employees, who fulfill organization's needs, committed to organizational goals and have good performance. Therefore, every organization invests more on their recruitment process to hire the best employees. It is also important to retain competitive employees because the global economy is developing at a remarkable rate. Organization considers employees as an asset so to attract competent employee's companies need to do something more attractive that potential employees attract towards their company. Employees work to earn money and fulfill their basics needs and fulfill family obligation so the most attractive things for employees is handsome salary package and favorable organizational environment.

(Jain, 2018) In an organization the working environment includes all the features which act and react on the employee body and employee mind. If the environment of an organization is friendly it will lead to high job performance and if the environment is exhaustion, tedium and boredom the work performance will minimize and employees want to leave the organization. In general, the work environment is one of the broad concepts which include features like physical, psychological and social working conditions. There is a positive or negative effect of the work environment on the psychological and well-being of employee. In an organization with high pressure work and work overload leads to employee's stress.

The effect of stress is negative on productivity of employee and organizational performance. Many employees are not happy and are not comfortable with their company because they face work difficulties and a hostile environment (Agensi, 2013) . Organization tries to reduce the negative elements of the work environment which affect the employee's satisfaction level with their work. Job satisfaction means that how much an employee takes interest in or likes his work; job satisfaction is a sense of ease and positive involvement that an employee has related to his



job. The employees who are highly satisfied will have greater rate of retention in an organization which will lead to balanced and high productivity (Abdullah & Ramay, 2012). Within an organization making the work environment supportive and favorable is essential for organizations who want job satisfaction (Mokaya, 2013) . Research finds that the thing that leads to high productivity and high employee performance is job satisfaction and also clarifies employee behavior toward work (Mehboob, 2012).

The conducive environment has also a relation with organizational engagement and employee retention. Engagement denotes individual focus and desire of attachment to many tasks or given work (Abdullah, 2012). When an organization provides a good working environment, the organizational engagement of employees will increase. The employees who are committed to the organization will have a low rate of employee's turnover. For the accomplishment of steadiness and to keep the position viable, it is essential to improve the commitment level of employees. To make employees more dedicated it is important to provide them with an attractive working environment, increasing their motivation and satisfaction level. Organizational commitment is affected by different consequences for example work environment, motivation, turnover, and organizational support.

Another thing that attracts employees is the compensation system in an organization. There is an important role of compensation to retain competent employees by attracting and motivating them. According to (Khatib, 2016), an efficient compensation system inspires competent employees to stay in company for a longer time period. Furthermore, previous research also explains that substantial rewards systems in an organization retain employees and it leads to job satisfaction and it also leads to increased employee commitment and loyalty.

Compensation system is not only about money, but it is also associated with such a compensation system which is non-financial like benefits, providing flexible time etc. most companies facilitate their employees by giving different benefits because they think it increases the job satisfaction level which leads to increase in organizational performance and retain competitive employees. If companies fail to make, achieve and exercise compensation strategies, then the best assets of the organization will leave the company and they will go for better offers elsewhere. Designing significant compensation management may affect the organizational development by enlightening external effectiveness, internal justice and individual equity. If an

organization focuses on external competitiveness, it will attract talented employees, and if it maintains internal fairness it will help to retain competent employees. When an individual feels that he is rewarded fairly they will encourage (Okeke, 2019). Although for an individual, organization and society compensation means something different which is important for them. For individuals' compensation is not only what they get in return for their work but it also includes the benefit return for individual's achievements and capabilities (David, 2019). The system of compensation is just a cost for an organization and also a viable tool to get competitive advantage. In society compensation is not about the distribution of capital, but also represents social equity and justice (Hsin-His, 2011). According to new research paradigm employees are not only assets, they are considered as partners for the organization.

According to research nowadays the rate of employee retention decreases which is considered a major problem for every organization. The worst situation is when the competitive employees leave the organization (Alias, 2017). Further, if the competitive employee will voluntarily leave the organization due to best opportunity elsewhere will make the same direction for other employees also, thus before it becomes contagious in an organization the organizational leaders concern about setting the phenomenon of employee turnover and they focus to retain competitive employees (Gray, 2012). To retain competent employees, organizational leaders should work on their organizational compensation system. In the new paradigm the organizational leaders are unceasingly reviewing and studying strategies related to employee retention which becomes the first priority for organizations. For human resource management employee retention is one of the most important functions in an organization and it is important for a manager to do list. According to (Cardy, 2011) retention of employees, particularly the competent ones, is the important strategy by organizational human resource management that the competent employees are an asset for the organization and that they are contributing a supportable advantage to an organization. According to organizational leaders they believe that to achieve organizational goals and objectives and for long sustainability in the market the retention of the valued employee is important (Lee, 2018) compensation system is the best strategy to retain employees and every organization has a different retention strategy depending on the talent pool they have. Furthermore (Nazia, 2013) discusses that to retain competent employees there are 3Rs (Reward, recognition, and respect) which increase the enjoyable work environment as well as effective performance, low turnover and greater return on investment.

It is important to note that this compensation includes both financial and non-financial compensation systems. It includes salaries, bonus, incentives, benefits and performance allowances etc. All these attractive things tend to employee to satisfy and retain in an organization.

Pragmatic research has proven that the compensation packages and conducive environment plays an important role in enhancing performance. Organization in Pakistan shows that the work environment, compensation packages, job satisfaction and employee retention connected positively. There are many other variables which have positive impact on employee job satisfaction and employees' retention hence it is essential to study and identify the relationship of other variables with job satisfaction and employee retention.

### **1.2 Problem statement of research**

One of the problems that are often faced by a company is the high rate of leaving or moving employees. Human resources in a company are one of the important factors in the development of an organization or company. Changing jobs or turnover intention that occurs will hurt the company, such as an increase in human resource costs.

Skilled and potential employees are one source of creating competitiveness in any business. Several factors can affect turnover of employee, including the work environment, job satisfaction, and compensation packages

### **1.3 Research Questions**

- 1- What facilities employees want from an organization?
- 2- What strategies should an organization adopt to retain their employees?
- 3- Is does compensation packages affect employee retention level?
- 4- Is does compensation packages increase satisfaction level of employee?
- 5- Is conducive environment effect satisfaction level of employees and tend them to stay for long time in an organization?

### **1.4 Research Objectives**

The research is necessary because nowadays the turnover rate in an organization increases day by day so this study will help to identify the challenges and afterward prefer suggestions that will

help the organization to retain its employees through satisfactory compensation and a conducive environment.

The objective of this research is as follows:

- 1- To examine the effect of compensation on employee satisfaction and employee retention.
- 2- To evaluate the effect of a conducive environment on employee satisfaction level and employee retention in an organization.

### **1.5 Significance of the Study**

The significance of the study is to measure the scope of compensation and a conducive environment system and its effect on employee satisfaction level and employee retention. Beside this the study will identify whether organizational environment moderate the connection between compensation system and retention of employees in an organization. The finding of study will pursue to create a positive relation between the compensation system and conducive environment with employee satisfaction level and employee retention.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The second chapter emphasizes on the definition of variables, conceptual and theoretical framework, pragmatic review of literature, and this chapter also analyze of research gap.

#### **2.2 Definition of variables**

##### **2.2.1 Compensation packages**

Compensation packages are a system of paying all forms of pay that are arising from their employment. Compensation packages involve some main features that lead to the satisfaction of employees on their job (Mabaso, 2017). These packages include salaries, bonuses, perks, promotion etc.

##### **2.2.2 Employee retention**

Employee retention refers to the procedures which organizations are used to boost the employees to make them a part of their organization for a longer time period until the employees gets pensioned off or until their project is completed. It also refers to the different strategies and practices that motivate employees to stick to an organization for longer a time period (Haider, 2015).

##### **2.2.3 Job satisfaction**

Job satisfaction denotes how employees give importance to their jobs according to their agreeable factors. Job satisfaction also refers to a gratifying emotional state that an employee values and observes from what they have acknowledged from the job in assisting them to accomplish the job goals and values (Cronley, 2017)

##### **2.2.4 Conducive environment**

The environment refers to all features which act and react on the employee mind and body. According to research, the attributes in an organization affect the employees in finishing their job. Conducive environment includes fair treatment in an organization, fair rules and regulations etc.

## **Conducive Environment, Job Satisfaction and Employee Retention**

In an organization a favorable and healthy environment is essential, which in the end affects the attitude of employees towards their work and they are willing to continue in the same company (Bibi, The impact of training and development and supervisor support on employees retention in academic institutions: The moderating role of work environment., 2019).

Supriyanto et al., (2020), the study shows that the work environment affects employee performance, and work discipline mediates the effect of the work environment on employee performance. The research reveal positive and significant impact of work environment on employee performance (Imran et al., 2019). According to Gunaseelan (2018), the work environment has a significant impact upon employee performance and productivity. A conducive work environment will have a good impact on the continuity of work, while a less conducive work environment will have a negative impact on the continuity of work. Work motivation, work environment and work life balance factors can simultaneously have a positive effect on employee performance.

According to research Work environment has an influence on the productivity of employees of publicly owned companies, while together discipline and work environment have an influence on the productivity of employees of publicly owned companies (Prasetyo et al., 2021).

Conducive environment includes giving Concentrating on the employees training, skill development and other compensation strategies are less important as compared to giving more focus on improving the working environment, where a favorable, safe and vigorous environment is one of the main strategies of human resource management. For organization employees are main assets and they help organization to achieve its goals, and therefore, providing a conducive environment may lead to employee satisfaction and employees will continue their job for a long period of time. If an organization will not provide a safe and healthy working environment it may leads to frustration and also it may lead to increase stress level of employees (Inda, 2021). If we compare the five pyramids of Maslow's hierarchy of social needs (1943), which includes some basic requirements like health needs, safety, security and well-being, are among the most basic human wants; therefore, to accomplish the needs of the employees, should set employees need priority of organizations).According to research by (Shoaib, 2020) when an organization provides good physical environment it increases the willingness of employee to stay with that

organization. The environment where employees are working should be safe besides being comfortable.

According to the research of (Nwachukwu, 2019) workplace environments play an important role in employee's motivation to complete the given task. The factors include in working environment are: 1) the required space and facilities for doing job, 2) Connection with supervisors at the workstation, 3) treating employees equally at the workplace, 4) Communication system at the organization, 5) Environmental factors are favorable to work, 6) Measures to identify and regulate risks. While (Wallgren, 2011) in his research stated that the working environment factors includes are 1) diversity in tasks, 2) job independence, 3) admiration for a job well complete, 4) the chance to obtain new skills and 5) the sense of achievement.

Different researcher has different perspective according to retention of employees (Alexander, 1998) in his research and research done by his team in 2013 concluded that resources that are available for an employee can be determinant element in retention. For (Ellett, 2007) and later (Loan-Clarke, 2010) reached the conclusion that flexible time is main factor and it helps in retention of competent workers. If any organization wants to retain their employees for longer time it should provide enjoyable environment. According to the (Moncarz, 2009) and his research team concluded that in workplace fun and flexibility effect the retention of healthy workers. In industrial sector the factor which helps to maintain favorable environment are facilities that are provided for workers such as favorable and sufficient working space, facilitate with safety procedure such as fire and safety equipment, protection for occupational dangers.

Thus, the substantial element that can affect employee retention is an effective conducive work environment. For every organization employee retention is on the top concern to become desirable employer among its competitor (Al-Emadi, 2015). (Gunaseelan, 2012) In his research mentioned that work environment leads to have positive or negative effect on different job outcomes e.g., participation, commitment and purpose to stay in an organization. Favorable working environment like attractive and fresh environment motivates employees to complete given task effectively and timely. Social exchange theory (Blau, 2017) explains that when an organization introduce proper HRM practices like compensation system and other promotional opportunities enhance employee's retention, as an employees and organizations enter into

substituting relationships in which establishment of mutual benefits creates responsibilities to respond. In this study theoretical framework, the relationship between the conducive environment (independent environment) and employee retention (dependent variable) is determined. Hence, it is hypothesized that:

### **H1: Conducive environment has positive impact on Employee Retention**

Job satisfaction is an alignment of employee emotions that they have towards their workplace. Job satisfaction is an important element which motivates employees and encourages them to attain organizational goals. According to (Hoppok, 2016) they describe job satisfaction as the combination of set of physiological and environmental factors that motivates workers to acknowledge that they are satisfied with their work and organization. If employees are not tending to work or not satisfied with given task, if they are not aware about certain factors like employees' rights, unsafe working conditions, if supervisors are not giving respect to employee or he or she is not cooperative then employees feel isolated from organization.

The working environment exists of two wider aspects which includes work and setting. Work includes all different job characteristics such as the method use to carry out the job and the way it completed, including the task like training activities, a sense of achievements from work, diversity in the task and intrinsic value for a task. Different components in an organization which include salary working hours, self-sufficiency given to workers and system of communication between employees and supervisor or management.

According to researcher they suggest that an organization can boost its output through the enhancement of physical extents of work environment (internal climate) and also it is possible that there is positive impact on productivity of firm (Buhai, 2008). Model developed by Herzberg 1959 describes job satisfaction and through his research he found that factors related to job can be divided into two types, Hygiene factors and motivation factors.

Hygiene factors are those factors which are important for existence of motivation at workplace. These factors do not lead to long-term positive satisfaction. But if these are not present at workplace, then it will lead to dissatisfaction whereas motivational elements have long-term effect which increases the positive feelings towards job which leads change of dissatisfaction into satisfaction. When hygiene factors is absent like work conditions, quality of supervision, and



the company policies, relation with management and other employees, job security and pay there is greater change of employee dissatisfaction and they won't like stay with firm for longer time. (Sell, 2011) Formed a model related to job satisfaction by assimilating economic variables and work environment variables to know about the feeling of employees in unsafe work place with greater salaries and perks and work with non-hazardous offering low salaries and perks. The research showed that different variables like psychosocial and work environment which includes work space, social support direct influence job satisfaction.

In this above discussion, we measured the relationship between three different variables: conducive environment (independent variable), job satisfaction (mediating variable), and employee retention (dependent variable). In our whole discussion we assume that employee will feel satisfied and willing to work with firm for longer time if the apparent working space seems favorable. Feeling better working space gives employee well satisfaction and they are willing to stay for longer time with same firm. Therefore, based on theoretical frame work we hypothesized that:

## **H2: The conducive environment has a significant relationship with job satisfaction and Job Retention**

Compensation denotes to all tangible reward like Pay raise, Cash bonus, Gift card and Gym membership etc. and intangible rewards like insurance, pension, and allowances such as company cars or endowed transportation that any organization gives to an employee for his work. According to Society for Human Resource Management (SHRM, 2012) define compensation as systematic method in which employees are facilitated with monetary value against for their work performed. A work environment characterized by adequate professional autonomy and control over practice, reasonable workloads, sufficient resources, effective leadership, adequate management support and adequate was seen to greatly influence employee 'job satisfaction (AbuAlRub et al., 2019; Labrague et al., 2021 ;)

We can say the compensation system acts like glue that fixes the employee with organization for a longer period of time. For smooth flow of procedure in organization compensation management needs accuracy. Employee compensation is main element that tend employee to commit towards work and employee retention. From above study and theoretical frame work we

assume that employee who is satisfied with his work as well as organization he or she wants to do harder to achieve their responsibilities and objectives and they tend to stay with organization for a longer time. Therefore, based on theoretical frame work we hypothesized that:

### **H3: Compensation Packages has positive impact on Employee Job Retention**

For employee when an organization pays low salaries and other incentives they are demotivated and are not willing to stay more in that organization and want to moves where firms offer high wages. For firm compensation packages play vital role in retaining talent employees who better perform their duties and responsibilities. (Syahreza, 2017) In his research discuss benefits of compensation system which employee will feel motivated and feel happy while doing work and employee will give more productivity. Different employees have different social need some want higher pay; some want wants self-esteem or achievement. According to Reinforcement theory proposed by B.F. Skinner in 1970, he discussed that the behavior is formed by consequences. If an employee is rewarded is for his good performance, he or she is will more likely to perform better again. Another theory formed by J.S Adams in 1960, in this theory he discussed that employee will act on their insight of how much their co-worker get pay for same work. Compensation can significantly endorse an organization's output and it also satisfies employee career objectives. According to research organization must also be designed properly compensation system as if firm not careful design that may leads to low satisfaction level and high turnover. From above study and theoretical frame work we assume that employee who is satisfied with his work as well as organization he or she wants to do harder to achieve their responsibilities and objectives and they tend to stay with organization for a longer time. Therefore, based on theoretical frame work we hypothesized that:

### **H4: Compensation packages have positive impact on employee satisfaction**

When an employee feels satisfied, he or she will more motivated towards work and they want to stay with that organization for longer time. Every organization want to retain its competent employee for long time so for that purpose organization formulate compensation packages strategies to retain best employees.

Therefore, we hypothesized that:

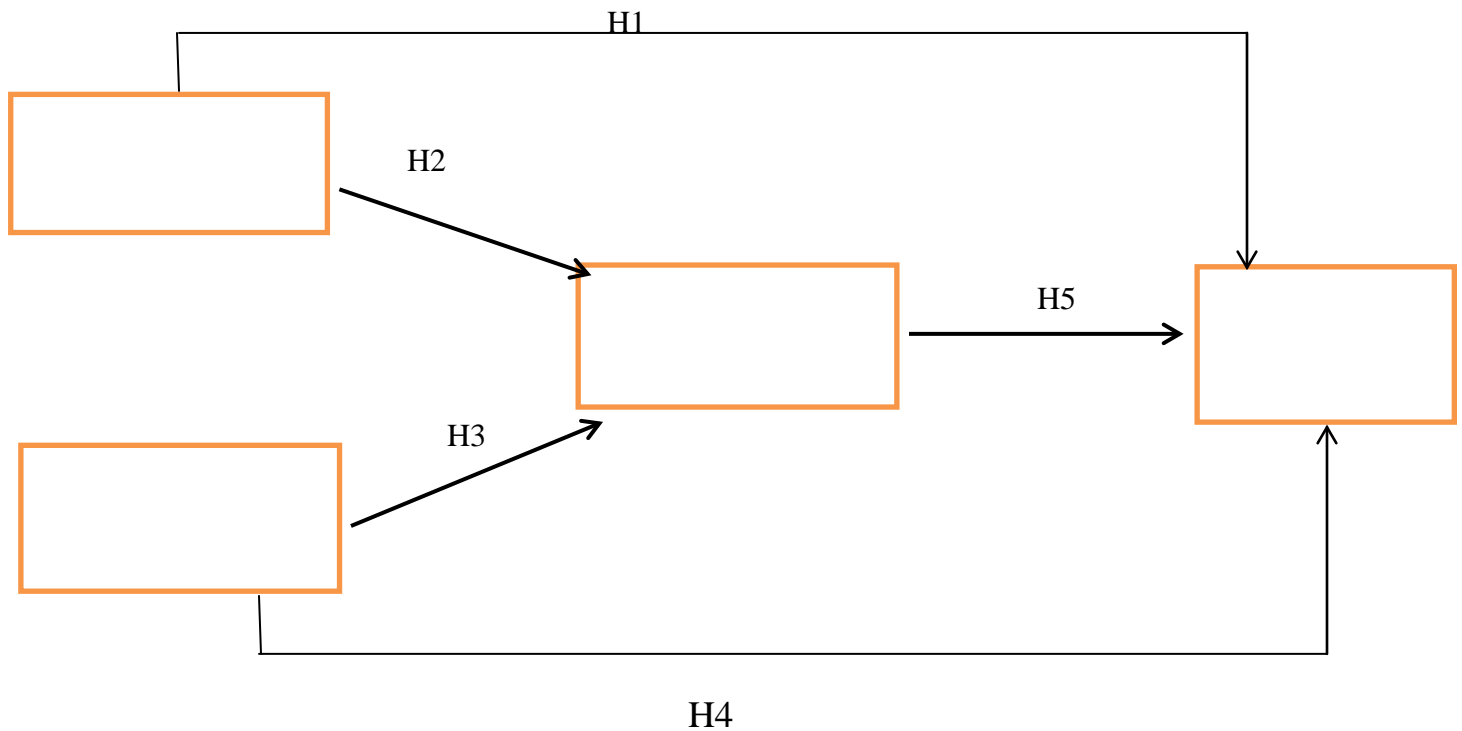
**H5: Job Satisfaction has a substantial relationship with employee retention**

In granting compensation organizations keep should renowned the system of compensation must be suitable, impartial satisfactory, sustaining, motivating for work, rewarding, and based on requirements. Awarding compensation system will benefit both groups, both company and to the employees (Sopiah, 2013). When employee awarded compensation, he/she feel sense of satisfaction which affect happiness, morals and increase level of motivation in employees which increases productivity (Mabaso & Dlamini, 2017; Zhang, Cai, Jia, & Li, 2018).

For employee compensation and incentives, they receive for their work is everything (Handoko, 2006). The sacrifices of employee include time and their dedication.

The employees sacrifice can be in the form of hard work, performance services, costs, or the effort consumed to accomplish certain goals set by the company. Meanwhile, Simamora (2006) claims that compensation financial return for his work

**RESEARCH MODEL**



## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

This chapter describes the whole research process in detail. The main objective of this research is to explain the process research methodology, paradigm, and population, and sample, process of data collection and analytical procedure of research. It discusses the quantitative research process in detail.

#### **3.1 Research Methodology**

Our research is exploratory research following quantitative method approach. The main aim of this study is to explain the effect of compensation packages and conducive environment on employee's satisfaction and employee's retention. The study aimed to explain how to retain most competent employees in an organization by providing handsome packages and favorable environment. The study aimed to study the factors which lead to employee turnover.

##### **3.1.1 Research Approach**

Research approach in research field means that the suggest method of data collection and data analysis. In our research the data is collected and analyze from respondent through the quantitative method. Research methodology is defined as a systematic approach or a procedure of studying a research phenomenon (Kothari et al., 2011). The selection of research design depends on the theoretical and methodological considerations for data collection and analysis and selecting the most appropriate methodology to carry out the intended purpose of the research project.

The quantitative method is constructed on the measurement of the quantity or number and is used to explain the quantity of data or information (Kothari et al, 2011). This method is defined as 'the systematic statement content to categories using statistical methods to test hypotheses' and involves a strict measurement of objectives (Riff, Lacy, & Fico, 2014).

### **3.1.2 Paradigm**

Most of the quantitative research in social sciences uses a positivistic paradigm. Positivism (also known as logical positivism) holds that the scientific method is the only way to establish truth and objective reality. The term 'positivism' was coined by Auguste Comte to reflect a strict empirical approach in which claims about knowledge are based directly on experience; it emphasizes facts and the causes of behavior (Bogdan & Biklen, 2003).

### **3.1.3 Research Design**

Research design is the construction of the survey that is not recognized with a specific approach for collecting information or a specific kind of information (De Vaus & de Vaus, 2001).

The nature of this study is explanatory. This study is intended to explore the effect of compensation packages and conducive environment on the employee satisfaction and employee's retention. I design a quantitative research method. The related data is collected from employees working in different organization in Pakistan. I select limited number of employees in quantitative data. There are number of methods to collect data but I select the survey method in which questionnaire will used to sort out in data analysis method. For collecting data and used a **five-point likert scale** to know the employee's responses. There are five options: 5. strongly disagree, 4. disagree, and 3. neutral. 2. Agree and 1. Strongly agree, to measure the intensity of their agreement, disagreement, or neutrality recorded against each question.

### **3.2 Population**

Mbokane (2009) defines a population as a collective or sum of all the objects, subjects or members that conform to a set of specifications. The purpose of this study to examine the relationship of conducive environment and compensation packages on employee satisfaction level and employee retention in different organization of Pakistan.

The population of different rank employees working in both government and private organizations of Pakistan was encouraged to fill the questionnaire. The consent form is issued during disseminating questionnaires through online websites.

### **3.2.1 Sample and sample size**

The sample of this study consists of different rank employees working in different organization in Pakistan. The sample size for our research will be 234 questionnaires which will be filled by employees. The 234 questionnaires were distributed among willing employees and give them chance to fill the questionnaires.

### **3.2.2 Sample unit**

In our research the sample unit is individuals. Sample unit is taken from the whole population like from country, customer etc. so in our research we will encourage individuals to fill the form.

### **3.2.3 Sample selection technique**

Simple random sampling technique will be adopted for this study, which is a procedure of giving every subject in a population equal chance of appearing in the selection. I created a Google form and fill the questionnaire from respondents. Questionnaire will be distributed among employees through online apps like Gmail, WhatsApp, and messenger.

### **3.2.4 Research instrument**

Research instrument adopted for data collection is structured questionnaire focused on the variables of the survey. The questionnaire has been modified with deep care and made very simple that respondent can easily understand the questions. Such shortening of questionnaire has spontaneously removed the factors such as ambiguity and interruption (Flick, 2015).

### **3.2.5 Data Analysis Techniques**

For our research the IBM SPSS version 21.0 software and other statistical techniques is used as data analysis tools for this study to examine and analyze data acquired through primary data collection methods. SPSS is a statistical software program used for data processing and statistical analysis. In this study, I use SPSS to conduct analysis, converting statistical data into usable information about the relationships between the variables chosen.

## CHAPTER 4

### DATA ANALYSIS

#### 4.1 Introduction

The purpose of this chapter is to provide the logical technique of data analysis. The current study is based on the quantitative data approach. Here the researcher uses the quantitative data analysis technique. Figures are fluctuating numbers that measure the quantities of interest. The data in our research were organized into subsets according to the theme of study. For amplification the chapter clarifies the examined data where researchers took four themes. We collect the form employee working in different organization of Pakistan. The questioners are float through online after making Google form.

In our research we try to find out the results for our study and we try find out the relationship between the independent, dependent variable and moderator.

Section one of the Data includes questionnaire which are developed and adapted from previous studies. Data Analysis is done through SPSS. Responses taken from employees were interpreted for analysis based on 5-point Likert scale where: 1= strongly disagree; 2=Disagree 3= Neutral; 4= Agree; 5strongly agree.

## Reliability Statistics

*4.1.1 Table 1: Reliability Statistics*

<b>Variable name</b>	<b>Cronbach's Alpha</b>	<b>N of Items</b>
Employees Satisfaction	.898	5
Conducive environment	.764	5
Compensation packages	.852	6

In the above table 1 of all three variables that is employee satisfaction, conducive environment and compensation packages, the value of Cronbach's Alpha for each variable is .898, .764 and .852 respectively, which shows that the reliability of this model is significant model because it scales lies below 0.7. Thus, we can interpret that reliability test for employee satisfaction is positive. The above tables show that the relationship among variable i.e., independent, dependent and mediator the relation is positive.

We can also say that the research question that the research question objects of sustainability contribution have comparatively high internal reliability since the alpha coefficient of the 6 items is .898. From above table we can conclude to retain and motivates its human assets organization must provide basics requirements like favorable environment where they can easily work, feel free to discuss their problems and provide culture where they grow and learn a lot from organization. Compensation is essential to fulfill their family obligation do; organization must provide different compensation system because it satisfies individuals



## (ANOVA) Results

*4.1.2 Table 2: Model Fit (ANOVA) Results*

	<b>Model</b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	64.053	2	32.027	88.452	.000 <sup>b</sup>
	Residual	84.002	232	.362		
	Total	148.055	234			
2	Regression	75.241	3	25.080	79.567	.000 <sup>c</sup>
	Residual	72.814	231	.315		
	Total	148.055	234			

a. Dependent Variable: Employee Retention

b. Predictors: (Constant), Compensation Package, Conducive Environment

c. Predictors: (Constant), Compensation Package, Conducive Environment, Employee Satisfaction

In the above table 2 of ANOVA model shows F-value for the residual 1 and 2 is 88.452 and 79.567 which indicates that the model is statistically significant which is supported by P-value .000 which is less than 0.05 Thus this model is significantly fit model. This model shows positive relationship between dependent variable and independent variable. The relation among independent and dependent variable is positive.

## Regression Coefficient

**4.1.3 Table 3: Regression Coefficient**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.342	.214		6.258	.000
	Conducive environment	.250	.085	.237	2.923	.004
	Compensation packages	.482	.086	.454	5.608	.000
2	(Constant)	1.111	.204		5.452	.000
	Conducive environment	.354	.081	.174	2.281	.023
	Compensation packages	.521	.095	.171	1.961	.057

As given above table 3 show the coefficient result. As indicted that the value of beta for Conducive environment is .237. Beta value for Compensation packages is .454. Coefficient output in Table represents the impact of compensation and conducive environment is positive significant impact of employee satisfaction and employee retention.

## Correlation Analysis

**4.1.4 Table 4: Correlation Analysis**

	Conducive Environment	Compensation Packages	Employee Satisfaction	Employee Retention	
Conducive Environment	Pearson Correlation	1			
Compensation Packages		.792** Sig. (2-tailed)			
Employee Satisfaction			.662** Sig. (2-tailed)	.768**	
Employee Retention				.596** Sig. (2-tailed)	.642** Sig. (2-tailed)
					.680** Sig. (2-tailed)
					1

Table presents the result of correlation analysis as shown there is significantly positive relation between conducive environment, compensation Packages, Employee satisfaction and Employee Retention. The significant values sig. is .792, .662, and .596.

## CHAPTER 5

### DISCUSSION, CONCLUSION, RECOMMENDATIONS

This chapter will discuss the outcomes of the research related to the relationship of employee satisfactions and employee retention due to providing compensation and favorable environment. The finding mainly focuses on the measure of employee satisfaction level. The current research was carried out because to find the relation among variables.

The data obtain from different respondents shows that the employee who working in favorable environment and when organization provide compensation, they are more satisfied toward works and the performance level of employee become greater.

From above results we notice that for organization employees are main assets and they help organization to achieve its goals, and therefore, providing a conducive environment may lead to employee satisfaction and employees will continue their job for a long period of time. If an organization will not provide a safe and healthy working environment it may leads to frustration and also it may lead to increase stress level of employees (Inda, 2021),

The study also indicates that for employee when an organization pays low salaries and other incentives they are demotivated and are not willing to stay more in that organization and want to moves where firms offer high wages. For firm compensation packages play vital role in retaining talent employees who better perform their duties and responsibilities. (Syahreza, 2017) In his research discuss benefits of compensation system which employee will feel motivated and feel happy while doing work and employee will give more productivity. Research team concluded that in workplace fun and flexibility affect the retention of healthy workers. In industrial sector the factor which helps to maintain favorable environment are facilities that are provided for workers such as favorable and sufficient working space, facilitate with safety procedure such as fire and safety equipment, protection for occupational dangers. So, it important for an organization to provide basic facilities which motivates employee towards to do work and also encourage in achieving goals of an organization.

Overall, in our study and in our finding Responses toward compensation system were high it means that compensation employees are more attracted toward the compensation system in an organization. There is an important role of compensation to retain competent employees by attracting and motivating them. According to (Khatib, 2016), an efficient compensation system inspires competent employees to stay in company for a longer time period. Furthermore, previous research also explains that substantial rewards systems in an organization retain employees and it leads to job satisfaction and it also leads to increased employee commitment and loyalty.

Compensation system is not only about money, but it is also associated with such a compensation system which is non-financial like benefits, providing flexible time etc. most companies facilitate their employees by giving different benefits because they think it increases the job satisfaction level which leads to increase in organizational performance and retain competitive employees. If companies fail to make, achieve and exercise compensation strategies, then the best assets of the organization will leave the company and they will go for better offers elsewhere.

Furthermore, the study finding implies that there are many other things which satisfy. Study also identifies that for employee Compensation not only about money but it how company give respect for its and how it praises an employee for his or her hard work.it also includes different bonuses and award which motivate employee for high performances.

The study implies that employee who is satisfied with his work as well as organization he or she wants to do harder to achieve their responsibilities and objectives and they tend to stay with organization for a longer time.

## 5.1 Conclusion

The study examined that there is positive relationship between the conducive environment and compensation packages on employee retention and employee satisfaction level. Different compensation packages motivated employees to work hard and stay for longer time in an organization. Conducive environment increases satisfaction level and employee feel safer while doing their work.

The study is aiming to evaluate the effect of compensation and conducive environment on employee satisfaction level and employee retention. The research finds out that there is significantly positive relationship between compensation, employee satisfaction and employee retention. Furthermore, it also finds that there is a positive relationship between conducive environments, employee satisfaction and employee retention.

Furthermore, the study also concluded that there is positive relationship with both financial and non-financial compensation system. The employee satisfaction which is a mediator encourage employee to give their high output.

In the recent research indicate that compensation plays an important role in higher satisfaction level and they want to stay with organization for a long term. Compensation is one of the important initiatives for employees' satisfaction and employee retention. This research examined the consequence of compensation packages on job satisfaction and employees' retention. Result indicated that compensation and conducive environment plays vital role in employee satisfaction level and long-term retention of an employee.

The research also discovered that if organizational employee is well compensated, they will be motivated to produce quality performance and high rate of productivity. The study reveals that when an organization HRM introduce proper Practices like compensation packages and other promotional opportunities it will enhance the productivity of and also increase the satisfaction level of an employee.

## **5.2 Recommendations**

- Organization must provide set of Human Resource Management practices to encourage employees like they introduce new policy regarding compensation policies etc.
  
- Organization must provide skills and personal development programs because these practices also motivate employee and employee satisfaction level increase.
  
- For researchers they should find and study different variables which satisfy employee and retain competent employee for longer time with company.

## References

- A.R. (2012). The Effects of Job Autonomy, Organizational Learning, and Work Environment on Organizational Commitment of Public Sector Employees. *International Journal of Scientific Research and Management*.
- Abdullah, A. &. (2012). Antecedents of organizational commitment of banking sector employees in Pakistan. *Serbian Journal of Management*, 89-102.
- Agensi, S. B. (2013). Effect of work environment, organizational culture and job satisfaction on employee performance.
- Alias, N. E. (2017). Towards Effective Employee Retention Strategy: Implementation of Talent Management in Information. *Communication and Technology Companies. Advanced Science Letters*, 7857-7860.
- Cardy, R. L.-H. (2011). Will they stay or will they go? Exploring a customer-oriented approach to employee retention. *Journal of Business and Psychology*, 213-217.
- David, F. R.-A. (2019). Strategic management: Concepts and cases.
- Gray, P. G. (2012). Building engagement from the ground up. *organizational dynamics*.
- Hsin-His, L. (2011). The influence of compensation system design on workers satisfaction. *African Journal of Business Package*, 10718-10723.
- Jain, R. &. (2014). Impact of work environment on job satisfaction. *International journal of scientific and research publications*.
- Lee, T. W. (2018). Managing employee retention and turnover with 21st century ideas. *Organizational dynamics*, 88-89.
- Mehboob, F. B. (2012). Factors affecting job satisfaction among faculty members Herzberg s two factor theory perspective a study of shah abdul latif university, sind, Pakistan.
- Mokaya, S. O. (2013). Effects of organizational work conditions on employee job satisfaction in the hotel industry in Kenya. *International Journal of Arts and Commerce*, 79-90.
- Nazia, S. B. (2013). Employee retention practices in Indian corporate—a study of select MNCs. *International journal of engineering and management sciences*, 361-368.
- Okeke, M. N. (2019). Compensation management and employee performance in Nigeria. *International Journal of Academic Research in Business and Social Sciences*, .



Charles Kivunja, A. B. (2017). Understanding and Applying Research Paradigms in Educational. *International Journal of Higher Education*.

Sukamolson, S. (2007). Fundamentals of quantitative research. *Language Institute Chulalongkorn University, 1(3)*, 1-20.

*of Organizational Behavior*.

Alexander, J. A. (1998). A causal model of voluntary turnover among nursing personnel in long-term psychiatric settings. *Research in Nursing & Health*, 415427.

Bibi, P. A. (2018). The impact of training and development and supervisor support on employees retention in academic institutions. *Gadjah Mada International Journal of Business*.

Bibi, P. A. (2018). The impact of training and development and supervisor support on employees retention in academic institutions: The moderating role of work environment. . *Gadjah Mada International Journal of Business*,, 113-131.

Buhai, S. C. (2008). The impact of Workplace Conditions on Firm Performance. 8-13.

Cronley, C. &. (2017). Intentions to turnover: Testing the moderated effects of organizational culture, as mediated by job satisfaction, within the Salvation Army. *Leadership & Organization Development Journal*.