

Factors Influencing Employee Retention among Oil and Gas Sector Employees based in Kuala Lumpur

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Abstract: Oil and gas companies are renowned for their generous compensation packages in terms of recruiting and maintaining high-quality employees. However, despite such financial incentives, employee turnover remains an intractable issue, which implies that compensation alone may not suffice. The present study explores the most important factors in maintaining employee retention among oil and gas professionals who work in Kuala Lumpur. Specifically, it examines the inter-relationships between work-life balance, work environment, and compensation and their impact on staff retention. Largely rooted in Herzberg's Two-Factor Theory, the research employs a quantitative, exploratory approach and a structured questionnaire completed using Google Forms. 381 participant data will be collected and examined using SPSS Version 26 to perform correlation and regression tests. The findings aim to present pragmatic suggestions to organizations seeking to enhance employee retention strategies beyond monetary compensation, emphasizing the role of intrinsic motivators and organizational culture.

Keywords: *Employee Retention, Work-Life Balance, Work Environment, Rewards and Compensation, Oil and Gas Industry, Herzberg's Two-Factor Theory.*

1. Introduction

Employee retention is crucial in the oil and gas industry in aiming to stay competitive in today's fast-paced business environment. Retaining those skilled and competent employees is not only about reducing turnover but also ensuring that the talent and expertise that the organization invests in continue to add value over time. Given the significant costs already incurred in hiring, training, and developing employees, retaining high-performing talent is essential for maximizing return on those investments. Within the organization, policies and procedures for employee retention have two main goals. Firstly, reducing staff turnover and secondly, the expense of recruiting, onboarding, and training new employees needs to be drastically reduced (Chatzoudes & Chatzoglou, 2022). By focusing on effective employee retention strategies, organizations can foster a motivated and loyal workforce, reduce the financial and operational burdens of recruitment, and create a culture of long-term engagement. This proposal examines the importance of employee retention, highlighting its impact on organizational costs and its role in maintaining a competitive edge in today's dynamic business environment. Employee retention is crucial for organizational success as it directly impacts costs, morale, and productivity. High turnover not only leads to increased hiring and training expenses but also affects the quality and consistency of work output (Yousuf & Siddiqui, 2019).

Problem Statement

According to previous research, numerous factors influence employee retention, with compensation and rewards often cited as primary contributors to employees' decisions to remain with an organization. However, this perspective does not entirely apply to the oil and gas industry, where employees continue to leave despite being offered high salaries and attractive benefits. Kamselem, Nuhu, Lawal, Liman, and Abdullahi (2022) highlight compensation as one of the most critical factors in attracting and retaining talent, and Manzoor, Wei, and Asif (2021) emphasize that money influences employee behavior by shaping their attitudes. Consequently, wages play a significant role in attracting and retaining a workforce. This view was also held by Kamalaveni, Ramesh, and Vetrivel (2019), citing that pay is among the top drivers of turnover intentions and employee retention. This is also in line with findings collected in a pilot study by the researchers in exit interviews with some employees. The majority mentioned that they were offered an attractive package that they could not refuse. However, there were also individuals with high current salaries who left due to dissatisfaction with the work environment and a lack of career development opportunities. This suggests that while compensation is a critical factor, other elements such as workplace culture and growth prospects also play an essential role in retention. Additionally, some researchers argue that money is not the primary factor influencing employee retention. Nowadays, employees truly value their overall happiness and well-being by looking for employers

who can provide a positive work environment, work-life balance, and opportunities for career growth. With numerous options available, employees are quick to leave if they feel dissatisfied and pursue other opportunities.

According to Manzoor et. al (2021), once pay surpasses the subsistence level, intrinsic factors become more significant motivators. Staff motivation increasingly depends on intrinsic rewards, such as the satisfaction of doing a good job and the sense of contributing to something meaningful. This perspective is supported by Herzberg's Two-Factor Theory, which highlights that achievement, recognition, and responsibility serve as key motivators for individuals. All these factors create a research gap worth exploring. While it is customary to engage in discourse regarding remuneration and incentives as determinants for employees to remain with or depart from an organization, non-financial considerations frequently exert a considerable influence on an employee's decision-making process. These factors can make employees reconsider their choice to retain, highlighting the importance of exploring beyond monetary incentives. Therefore, the main study objectives are outlined as follows:

RO1: To examine a significant positive relationship between work-life balance and employee retention among Oil and Gas employees based in Kuala Lumpur.

RO2: To examine a significant positive relationship between work environment and employee retention among Oil and Gas employees based in Kuala Lumpur.

RO3: To examine a significant positive relationship between rewards and compensation and employee retention among Oil and Gas employees based in Kuala Lumpur.

2. Literature Review

Employee Retention

Retention of the workforce is the most crucial thing Human Resources (HR) has to consider in workforce planning, as it allows HR professionals to forecast and bridge the gap between future workforce supply and demand and align it with the organizational strategic goals. The retention of the workforce provides a stable, experienced workforce that is necessary for continuity in the business and long-term success. By focusing on talent retention, HR is able to better predict recruitment requirements, lower turnover, and plan for long-term workforce development in alignment with organizational need changes. Studies have shown that labor turnover not only imposes a financial burden in the form of direct expenses such as recruitment, onboarding, and training but also as lost productivity and institutional memory when employees leave. Other studies place the cost of replacing an employee as high as 2.5 times their annual salary in the form of recruitment, hiring, and lost productivity (Zainal, Ahmad, Mohd and Omar, 2022). Moreover, replacing experienced employees, especially those with specialized knowledge, takes a great deal of time and effort, and this has implications for business performance and innovation in general. Elsafty and Oraby (2022), in their paper, highlighted that training new employees is generally more costly than keeping existing ones. They referred to the fact that investing in training to enhance employees' knowledge and ability not only enhances their productivity but also makes employees feel appreciated and valued. Such a sense of being valued, therefore, enhances their job satisfaction and commitment, resulting in higher employee retention. Therefore, companies that value employee development are able to achieve improved retention by making employees feel committed to developing themselves and establishing a good work culture.

Companies that value strategies for employee retention, such as providing competitive compensation, establishing a good work culture, providing opportunities for career growth, and developing a culture of appreciation and acknowledgment, can reduce turnover and improve retention. Since they translate into an active and committed employee base, they save the organization a lot of recruitment and training expenses in the long term (Sang-rit & Gilitwala, 2023). Work-life balance refers to the personal view that work and non-work pursuits are in a condition of balance and contribute to personal growth, consistent with a person's immediate priorities in life. Based on the study conducted by Zainal et al. (2022), which sampled 400 respondents, shows the direct relationship between work-life balance and employee retention. Work-life balance is part of corporate social responsibility (CSR) today in any business organization. The importance of ensuring that workers are not work-oriented in a way that interferes with their personal lives is now a concern to many businesses. If work-life balance is not effectively managed, it leads to burnout, stress, and reduced job

satisfaction. This, in turn, negatively affects employee morale, lowers productivity, and ultimately leads to higher turnover. As a result, promoting a healthy work-life balance has come to be a key approach to improving employee retention and building an engaged and motivated workforce. The study by Hashim, Azman, Ghani, and Sabri (2022) found that no relationship existed between flexible job scheduling, a key aspect of work-life balance, and staff retention. Despite the increasing popularity of flexible work arrangements, according to the study, giving flexible schedules alone may be insufficient in impacting staff retention. Other problems such as career development opportunities, organizational culture, and job satisfaction will be able to contribute more to employee retention. This makes it complicated for employee retention, which implies that work-life balance initiatives, such as flexible working time, should be paired with a broader, more comprehensive plan that seeks to enhance employee commitment and loyalty. Brown, Chemei and Sang-rit (2021) emphasize that work-life balance is essential in employee retention. When employees can manage their work responsibilities along with their personal life, they feel less stressed and more well-being, and this leads to enhanced job satisfaction and a higher likelihood to stay with the organization. Flexible work arrangements such as working from home or flexible working hours are best to meet the work-life balance.

A good work environment is one of the key drivers of employee retention. In their study, Zainal et al. (2022) provide evidence of positive and direct relationships between work environment and employee retention. The employees will remain in organizations that offer a good, healthy, and comfortable work environment. The physical, social, and psychological aspects of the workplace, especially supervisor support and relationships among co-workers which are responsible for feelings of belongingness and commitment to the organization. If employees are appreciated in a friendly workplace, they are less likely to quit, hence reducing turnover and enhancing productivity. The work environment, Chatzoudes and Chatzoglou (2021) aver, has an indirect but highly significant impact on employee retention, being of utmost importance to organizations that aim to retain their employees in the long term. A healthy and supportive work environment, including dimensions like safety, company culture, people relations with supervisors and co-workers, and availability of resources, is associated with organizational commitment and job satisfaction. Thus, workers are more likely to remain in the company, reducing turnover and establishing long-term stability.

Companies that concentrate on improving their work culture are best positioned to build an energized, loyal workforce, ultimately contributing to their overall success and growth. Relationship of Rewards and Compensation with Employee Retention as put forward by Manzoor et al. (2021), rewards and compensation which are competitive serve to drive employees for motivation and retention in the long run. Those employees who are compensated (monetary as well as non-monetary) are likely to stay with the organization. Recognition, promotion, and opportunities for career development are considered rewards that meet not only financial needs but also psychological rewards. Career advancement and growth aspirations of employees are satisfied through job promotions, which is a powerful retention tool (Kamselem et al., 2022). The survey of a research study of 400 employees employed in the Malaysian service sector, Zainal et al. (2022), shows a positive correlation between compensation and reward and employee retention. The study demonstrates that equitable and competitive compensation packages greatly influence employees to stay with the company, thereby constraining turnover and enhancing overall retention. Based on Tadesse (2018), the survey conducted indicates that increased salaries have a significant connection with employee retention. The study by Alshamrani, Alharthi, Helmi, and Alwadei (2023), based on a survey of 325 respondents, finds that compensation and rewards are strongly associated with employee retention. The study indicates that offers of competitive salaries and attractive rewards schemes are key to retaining employees, as they play an important role in job satisfaction and organizational allegiance. This highlights the importance of offering equitable and full compensation to reduce turnover and enhance employee commitment in institutions.

Theories related to Employee Retention

The Two-Factor Theory, formulated by Frederick Herzberg in 1959, also known as the Motivator-Hygiene Theory, presents a distinctive perspective on job satisfaction. According to Herzberg's theory, the satisfaction of workers is influenced by two distinct categories of factors, i.e., motivators and hygiene factors. Motivators are factors that lead to job satisfaction, such as opportunities for career development, appreciation, and achievement, whereas hygiene factors are those that, if found unsatisfying, may lead to dissatisfaction, such as pay, working conditions, and organization rules. Herzberg's theory was different from the previous theories of job satisfaction in that it viewed job satisfaction as a two-sided continuum of employees who could be

dissatisfied based on poor hygiene factors but also get satisfied by the presence of motivators. The two-sided view provided a better understanding of what triggers employee motivation towards retention. According to research by Mohd, Rahman and Latif (2022), the authors suggest that there is a necessity to balance intrinsic motivators and hygiene factors to promote job satisfaction and minimize employee turnover. Intrinsic motivators such as opportunities for skill development and increased responsibility are essential drivers of feelings of personal success and engagement, which are core to long-term job satisfaction. In contrast, hygiene factors such as job security, work environment, and fair remuneration are the magic to prevent workers' dissatisfaction and disengagement. However, the researchers point out the aspect that whereas prevention of dissatisfaction is guaranteed through hygiene factors, the latter are not sufficient to construct a highly motivated and engaged workforce all by themselves. The findings concur with the perception by Herzberg that organizations ought to strike a balance between fulfilling basic needs and offering challenges for development and achievement in order to sustain long-term employee satisfaction and retention. Based on the literature reviewed, the following hypotheses were developed:

H1: Work-life balance has a positive relationship with employee retention among employees in the Oil and Gas industry based in Kuala Lumpur.

H2: Work environment has a positive relationship with employee retention among employees in the Oil and Gas industry based in Kuala Lumpur.

H3: Reward and compensation have a positive relationship with employee retention among employees in the Oil and Gas industry based in Kuala Lumpur.

3. Research Methodology

Purpose of Study

This study will adopt an exploratory study, which is a research method that enables the researchers to observe and establish the relationship between different variables without manipulating them. The independent variables in this study are work-life balance, work environment, and reward and compensation, while employee retention is the dependent variable. By applying this design, the researchers want to determine the degree of relationship between these independent variables and employee retention. For instance, one study by Zainal et.al (2022) examined the role of such variables in employee retention in Malaysia's service sector and found that work-life balance and work environment contributed positively significantly, and reward and compensation contributed even more positively. Similarly, one study by Gupta (2021) worked with the theme of work-life balance policies' impact on employee welfare and productivity and found that such policies are critical to employee retention.

Population

In research, a population refers to the entire group of people, items, or things that share common characteristics and are under study. Population, according to Creswell (2014), refers to all the items or subjects to which conclusions are to be drawn by researchers. It is the population from which samples are to be selected for analysis. The sample for this research consists of 50,000 Oil and Gas employees from various organizations such as PETRONAS, Velesto Energy Berhad, Carigali Hess, Petronnic, to name a few, operating in Kuala Lumpur. The sampling frame for this study was provided by the Malaysian Employers Federation (MEF) Table. The questionnaire will focus on individuals who have been employed at the executive level for a minimum of one year in oil and gas companies to guarantee respondents possess an idea about the business. To achieve accuracy and relevance, organizations whose respondents will be invited will be secured directly from an MEF representative to access verified and up-to-date organizational data. This approach will enhance the authenticity and credibility of the findings, as they are in a better position to reflect on their experience and provide richer information about organizational dynamics. The sampling technique adopted in this study was convenience sampling, which was chosen for being easy to use.

Sampling Technique

Convenience sampling is a type of non-probability sampling where the participants are selected from a part of the population that is readily available to the researchers. According to Etikan, Musa and Alkassim (2016), this method is often utilized where time and resources are limited (such as an exact list of respondents due to companies' concealment), as it allows the data to be gathered from participants who are reachable or available

during the time of the study. The questionnaire has traditionally been regarded as one of the best methods of acquiring standard data in order to ensure that all the questions posed are the same to all the participants (Cohen, Manion, & Morrison, 2018).

Questionnaire Development

Issuing the same set of questions to all the respondents in the same format, the questionnaire guarantees that the information gained is comparable and can be trusted. For this study, the questionnaire will be properly designed to fit the research objectives so that it can effectively get information on the major variables under investigation, for example, work-life balance, work environment, reward and compensation, and employee retention (Johnson & Christensen, 2021). The questionnaire will be posted on Google Forms for easy access and response. It will be distributed to employees via email and WhatsApp so that respondents can respond at their convenience and in their comfortable way (O'Leary, 2023). Data analysis is very crucial in this study as it allows for proper summarization, scrutiny, and explanation of the data obtained.

Data Analysis

Initially, the researchers aimed to utilize Statistical Package for the Social Sciences (SPSS) version 26, rather than analyzing manually. SPSS version 26 facilitates efficient data analysis and performing statistical tests, with better and clearer interpretation of the data compared to manual calculations. Moreover, correlation and regression analysis will also be used in this research, which are crucial to examine the dependency and the independent variables between which connections must be examined. The analyses help to quantify the effect and increase of these variables according to the responses offered by the sample in the questionnaires they were given. Correlation helps to identify whether two variables increase together in the same direction (positive correlation) or different directions (negative correlation). High correlation allows the researchers to observe how strong the relationship of the variables is, but it doesn't necessarily mean causality, while regression analysis not only represents the relationship of variables but also quantifies the strength and significance of these relationships. This will allow the researchers to predict the dependent variable from the independent variable values. Regression and correlation analysis will allow the researchers to find out the impact of work-life balance, pay, and work environment on employee retention, and how they are related to each other. This will ensure conclusions drawn based on firm statistical information, leading to actionable recommendations for further enhancing retention strategy in the oil and gas industry.

Validity Test

Validity is essential in research because it defines the relevance and meaning of the components of the research. Validity ensures that the instrument utilized is proper in measuring the constructs that it aims to measure. For the sake of ensuring the validity of the instrument in this research, an expert conducted a double verification of the questionnaire in terms of quality and accuracy. The researchers made use of a quantitative research design where they employed questionnaires and primary data in gathering information regarding the determinants of employee retention.

4. Conclusion

A five-point Likert scale was used as the instrument of measurement to produce systematic and quantifiable data on the variables. The design is correlational as it aims to determine the interrelation between the variables without modifying them. As for the interference of researchers, the current study will have minimal intervention required, with emphasis on the study site, unit of analysis, and time horizon. The population of this research is approximately 50,000 workers in the Oil and Gas industry in Kuala Lumpur with 381 employees in their sample population. In designing the questionnaire, the researchers drew inspiration from a mix of two journal articles so that the applicability and accuracy of extracting the information required could be guaranteed. Finally, the researchers also opted to make use of the Statistical Package for the Social Sciences (SPSS) version 26, a quicker and improved program used for analyzing large quantities of data and conducting statistical analysis. This approach offers a better and more precise description of the data, thus supporting the overall validity and quality of the results of the research.

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