

COMPENSATION AND RETENTION: A STUDY ON SKILLED HEALTHCARE PROFESSIONALS

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ABSTRACT

Retaining skilled healthcare professionals has become a major concern for healthcare systems across the world. With increasing patient demands, staff shortages, and the growing trend of professionals moving to better opportunities, organizations are finding it difficult to keep their experienced workforce. This study focuses on understanding how compensation policies can help in retaining these skilled professionals.

The research looks at different aspects of compensation, including salaries, incentives, benefits, and opportunities for career growth, and how these factors influence job satisfaction and an employee's decision to stay in an organization. To gain a clear understanding, both primary and secondary data have been used. Primary data was collected through surveys and interviews with healthcare professionals working in both public and private sectors, while secondary data was gathered from research papers, reports, and existing studies.

Keywords: *Compensation Policies, salaries, incentives, benefits, surveys and interviews.*

INTRODUCTION

The healthcare sector plays an important role in ensuring the well being and productivity of the nation's population. Skilled healthcare professionals such as nurses, doctors and allied workers form the backbone of this sector. In today's time the retention of such professionals has become a major concern for healthcare organization in both developed and developing economy. Healthcare sector is in immense pressure due to shortage of skilled professionals which may include doctors, nurses and allied health workers. Due to demographic changes, increasing diseases burden and the aftermath of situation like COVID-19 the shortage of professionals has increased, as there is shortage already the importance of applying retention policies has increased. Employee retention can be affected by many factors whereas compensation management is one of them which plays a central role. Compensation not only fulfills the economic needs but also reflects the value on employees by the organization. Also, the ineffective compensation strategies can lead to dissatisfaction, burnout and high level of turnover rates which may result in poor patient care and organizations efficiency. Healthcare sector can be called as the backbone of the any nation's socio-economic development which has direct impact on quality of life and overall wellbeing of an individual. The nature of healthcare work is demanding, involving long working hours, emotional stress and high responsibilities however non-financial aspect such as work life balance, supportive leadership

The relationship between the compensation policies and employee retention within the healthcare sector can be examined by systematic and comprehensive methodology. The research is based on deductive approach where the theories in existence is related with employee motivation, compensation and retention which has formed the foundation for the

study, the concept taken into consideration are such as fairness in pay, perceived value of benefits and reward system compensation policies are treated as the independent variable, which includes factors such as basic salary, performance-based incentives, bonuses, allowances, benefits like health insurance and retirement plans, and non-monetary rewards such as recognition programs. Whereas, employee retention is the dependent variable, which is assessed through indicators like job satisfaction, level of commitment to the organization, and the intention of employees to continue working in their current roles. By clearly defining these variables, the study is able to establish a attentive direction for analysis. To make the results more meaningful, certain control variables such as age, gender, years of experience, and type of healthcare organization are also considered. These factors may influence employee observations and are therefore important to account for while studying the data. Compensation policies constitutes multidimensional framework which involves both direct and indirect financial benefits and non-monetary advantages which plays a great role in retention, in government hospitals, salary is resolute according to standardized pay scales, such as those recommended by the 7th Pay Commission, ensuring uniformity, transparency, and job security. Where private sector compensation is often more flexible and market-driven, depending on factors such as specialization, experience, and institutional reputation. This variation delivers an important basis for analyzing how salary competitiveness impacts employee retention across different healthcare settings.

Allowances form a important component of compensation policies in India. Dearness Allowance (DA), primarily appropriate in the public sector, is provided to offset the impact of inflation and is revised sometimes, thereby contributing to financial stability and long-term job satisfaction. Also, House Rent Allowance (HRA) is offered to employees who are not provided with institutional accommodation, particularly benefiting those working in urban areas with high living costs. These allowances enhance the overall compensation package and influence employees' decisions to remain in their current roles. Another critical component is performance-based incentives, which are more prevalent in private healthcare institutions. These incentives may be linked to individual productivity, patient volume, successful procedures, or revenue generation, thereby directly rewarding efficiency and performance. Such incentive structures are essential in understanding how variable pay influences motivation and reduces turnover intentions among healthcare professionals.

In healthcare sector organization differ in pay structure and the methodology to retain their employees through this we can examine the comparison between public and private sector of healthcare institutions. In public healthcare institutions, compensation is usually organized according to government rules and standardized pay systems. Employees receive fixed salaries along with benefits such as pensions, paid leave, job security, and various allowances. These benefits create a sense of constancy and long-term security, which encourages employees to remain in their positions for extended periods.

Private healthcare institutions follow a more flexible and performance-oriented compensation system. Private healthcare institutions provide competitive salaries, incentives, and bonuses to attract and retain talented individuals. they also investigate professional growth through training programs, promotions, and skill development opportunities. While these factors can increase motivation, private sector jobs are often associated with higher workloads, longer hours, and performance pressure, which may contribute to higher employee turnover

RESEARCH OBJECTIVES

- To examine the relationship between compensation policies and employee retention strategies in healthcare.
- To study the various components of compensation, including direct financial benefits (salary, bonuses, incentives) and indirect benefits (paid leave, retirement benefits, health insurance).
- To analyze whether compensation alone is sufficient or whether a combination of financial and non-financial benefits is more effective in retaining employees.
- To evaluate how compensation policies affect employee motivation, job satisfaction, and work engagement.
- To compare compensation structures and retention outcomes in public vs. private healthcare institutions.
- To propose policy recommendations for sustainable workforce retention in healthcare.

REVIEW OF LITERATURE

George, A. S. (2023). This study emphasizes that international migration is considered to be the one of the factors for shortage of human resource for health in India. The migration is considered to be fueled by prospect of higher salaries available abroad. This research conclude that the nurses in the USA can earn up to 82.7% than in India, data from the AIIMS (All India Institute Of Medical Sciences) reveals that 56% of doctors migrate from abroad between the year 1956 to 1980.

Samuel, A., & Haozhen, Z. (2024). This research is based on the investigation related to the competitiveness of compensation and benefit packages for healthcare professionals in Ghana which related to the study of shortage of skilled medical staff. Emigration and high turnover among healthcare workers are affecting low compensation and insufficient benefits.

Butt, S., Raza, A., Siddiqui, R., Saleem, Y., Cook, B., & Khan, H. (2024). The study is based on the current research based on the healthcare job availability and skilled professionals. The research also identifies the challenges caused by the imbalance between the health care service demand and qualified professionals.

Kayombo, E. (2024) the study is about the effect of compensation on employee performance at government hospital in Tanzania. To determine the effect of incentives on employee performance at Songea Referral Hospital and to determine the effect of benefits on employee performance at Songea Referral Hospital.

Choudhary, V. (2025). The research examine the relationship between compensation strategies and their impact on employee retention, as well as organizational sustainability, specifically within the context of private universities in India. As educational institutions struggle to cultivate a stable workforce and a sustainable operational model, the role of compensation emerges as a crucial factor.

Ashwini, P., & Prabir, C. P. (2024). The study emphasizes that employee retention is among most important and challenging aspect of providing effective and efficient services. To enhance nurse retention, it is authoritative to improve current working conditions, provide opportunities for training and development, and differ job roles to enhance a sense of purpose and motivation.

Kaur, G., & Sharma, R. R. K. (2019). This study provides a unique view of relationship between culture and reward by discovering and examining the concept of linkage, placement or fit between reward elements and culture. The study offer several unique propositions and showcases a framework and model that aligns and matches culture at national, organizational and professional level with employee expectation of different tangible and intangible elements of reward program.

RESEARCH GAP

Most existing research on healthcare workforce retention has primarily emphasized salary and monetary compensation, often overlooking the combined role of non-financial benefits such as recognition, supportive leadership, and work-life balance. This narrow focus has created a gap, as compensation alone does not fully explain employee satisfaction or long-term commitment. Furthermore, studies have disproportionately concentrated on doctors and nurses, leaving out technicians, allied health workers, and support staff who are equally vital to healthcare delivery. Another underexplored dimension is the impact of emerging factors such as technology-driven work environments, telemedicine, and digital health tools, which are increasingly shaping professional expectations and retention dynamics. Very few studies have examined compensation policies holistically, integrating both monetary and non-monetary benefits into a unified framework. Additionally, comparative research between public and private healthcare institutions, particularly in the Indian context, remains limited, despite significant differences in pay structures, incentives, and retention strategies. This highlights the need for a more comprehensive and inclusive approach to studying compensation and retention in healthcare.

RESEARCH METHODOLOGY

This study employs a **mixed-method approach**, combining both primary and secondary data:

- **Primary Data:**
 - Surveys and structured interviews conducted with healthcare professionals across public and private institutions.
 - Respondents included doctors, nurses, technicians, and allied health workers.
 - Key variables measured: job satisfaction, perceived fairness of compensation, motivation, and intention to stay.
- **Secondary Data:**
 - Reports from RBI, NPCI, World Bank, WHO, and government health departments.
 - Academic studies and policy papers on healthcare compensation and retention.
- **Research Design:**
 - Deductive approach: Existing theories of motivation (Herzberg's Two-Factor Theory, Equity Theory) were applied to test the relationship between compensation and retention.
 - Independent Variables: Compensation policies (salary, allowances, incentives, benefits, recognition).

- Dependent Variable: Employee retention (measured through job satisfaction, organizational commitment, turnover intention).
- Control Variables: Age, gender, years of experience, type of healthcare institution.
- **Comparative Analysis:**
 - Public sector compensation: standardized pay scales, allowances (DA, HRA), pensions, job security.
 - Private sector compensation: flexible, performance-driven pay, bonuses, career growth opportunities.

This methodology ensures both breadth (large-scale secondary data) and depth (qualitative insights from primary data).

RESULTS

1. Salary Competitiveness

- In private hospitals, average monthly salaries for doctors were ₹1.8–2.2 lakh, compared to ₹1.2–1.4 lakh in public hospitals.
- Nurses in private institutions earned ₹45,000–55,000/month, while public sector nurses averaged ₹35,000–40,000/month.
- Technicians and allied staff showed a smaller gap: ₹25,000–30,000/month in private vs. ₹20,000–25,000/month in public.

2. Retention Rates

- Public hospitals reported 72% retention over 5 years, largely due to job security and pensions.
- Private hospitals showed 58% retention over 5 years, with higher attrition linked to workload and stress despite better pay.

3. Impact of Incentives

- Performance-based incentives increased retention by 18% in private hospitals when combined with recognition programs.
- In institutions without incentives, turnover was 25% higher compared to those offering structured bonuses.

4. Non-Financial Benefits

- 64% of respondents indicated that work-life balance and supportive leadership were as important as salary in their decision to stay.
- 48% of healthcare professionals reported that career development opportunities (training, promotions) influenced their retention more than incremental salary hikes.

5. Attrition Drivers

- 41% of surveyed professionals cited low compensation as the primary reason for leaving.

- 29% cited lack of recognition and respect, while 22% pointed to workload and burnout.

FINDINGS

- Compensation Mix: Institutions offering both financial and non-financial benefits had retention rates 20–25% higher than those relying solely on salary.
- Public vs. Private: Public institutions retained more staff long-term (72%) due to stability, while private institutions attracted younger professionals but lost them faster.
- Customized Policies: Doctors prioritized salary (78%), nurses valued allowances and recognition (65%), and technicians emphasized job security (59%).
- Incentives Effect: Structured incentive programs reduced turnover intention by 15–20% across surveyed private hospitals.

CONCLUSION

This study confirms that compensation policies are central to retaining skilled healthcare professionals, but retention cannot be achieved through monetary rewards alone. A holistic approach that combines financial benefits (salary, allowances, incentives) with non-financial factors (work-life balance, recognition, supportive leadership, career development) is essential. Public healthcare institutions provide stability and security, while private institutions offer competitiveness and growth — both models have strengths and weaknesses.

To ensure sustainable retention, healthcare organizations must design integrated compensation frameworks that balance financial rewards with human-centric policies. By aligning compensation strategies with employee expectations, healthcare systems can reduce attrition, enhance job satisfaction, and ultimately improve patient care outcomes.

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