

Determinants of employee retention in the private service sector in Malaysia

Determinantes de la retención de empleados en el sector de servicios privados en Malasia

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ABSTRACT

This paper looks at the retention of employees particularly among the private service sector employees in Malaysia. The results show that all 4 elements which are flexible work arrangements, compensation management, social networks and employer branding affects job satisfaction which in turn influences employee retention. This paper contributes to business practices by offering the right approaches to implement work-life balance and retention activities in the private service sector in Malaysia. Further research needs to be done on the public sector employees.

Keywords: Employee retention, Work-life balance, Job satisfaction.

RESUMEN

Este artículo analiza la retención de empleados, especialmente entre los empleados del sector de servicios privados en Malasia. Los resultados muestran que los 4 elementos que son arreglos de trabajo flexibles, gestión de compensación, redes sociales y marca del empleador afectan la satisfacción laboral, lo que a su vez influye en la retención de los empleados. Este documento contribuye a las prácticas comerciales al ofrecer los enfoques correctos para implementar actividades de retención y equilibrio trabajo-vida en el sector de servicios privados en Malasia. Se necesita más investigación sobre los empleados del sector público.

Palabras clave: retención de empleados, equilibrio trabajo-vida, satisfacción laboral.

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1. INTRODUCTION

Workers have been the crucial element to any organization and they will continue to be so. In another word, they are referred to be the lifeline of an organization (Kossivi et al., 2016). Increased globalization in the current times has changed the business environment in a big way that severe competition among companies are so common. Lack of talents has been called a global issue, not a regional one.

Chaminade (2007) concluded organizations have to find ways to create a positive conducive working environment to retain good talented employees. Frank et al. (2004) described that retention process is when an employer put effort to make some good policies which helps retain talented employees in order to achieve the organization goals and success

In another study, Ejiolor and Mbachu (2001) stated that talented work force has high value to their organizations due to their expertise over the knowledge, their skills and experience. Thus, this leads to companies working hard to retain their employees. Employee retention using increased financial benefits will be a more expensive event so organizations begun looking for alternatives and one of those alternatives is flexible working arrangement.

According to Hay Group Report in 2013, the employee turnover rate of 23% was forecasted and by 2018, there will be a 192 million voluntary turnover.

As the world businesses become more competitive, companies around the world are looking for solutions for turnover intention among their employees. It is such a huge challenge for all types of businesses as it brings about negative impact for the management involved. Ramlall (2003) stated that 86% of employers encountered difficulties in attracting new recruits and 58% faced difficulties in retaining their existing human-capital.

Thus, the importance of employee retention is a widely-discussed area in past research articles. The work pattern has been changing and a new concept of flexibility is evolving all over the world. There have been researches done globally, which clearly shows that employees working on a flexible hour system would improve team synergy, commitment and stay much longer in their organizations.

According to Global Workforce Study (2014), the three most important drivers for employee engagement in Malaysia are workload, work life and empowerment, goals and objectives followed by image and supervisor on the fourth and fifth placing. If retention is an issue now, the problem will be more severe in few years as some of the skills that are important now will have changed by then. As Malaysia is gearing up for the Fourth Industrial Revolution, we will be seeing new frontiers by 2020 in autonomous transport, biotechnology, artificial intelligence, advanced robotics, advanced materials and genomics. This will change the face of employment and retention in Malaysia as well. Not only that, our lives will be much different in terms on how we work and live.

Workers that may be affected by the robots invasion are the semi-skilled workers such as factory workers, clerks, typists, sales and telemarketers. But there will be new jobs related to robotics and artificial intelligence created in the future for example, Robotics and Automation Engineers, Intelligent Control Engineers, Big Data Analysts, Drone Operators and Virtual Instrumentation Engineers. Employers need to ensure the future workforce will be aligned to the skill sets needed for the new tasks and how to retain these talents.

The Global Workforce Study (2014) also stated that employee engagement in Malaysia is only about 40% and most of those employed most likely be leaving the organisation in just two years due to the lack of employee engagement. It is also seen through this study that Malaysia is now facing with more demanding employees making employment very competitive in Malaysia and making employee retention a huge challenge in Malaysia currently.

The objective of this study is to examine the link between Flexible Work Arrangement, Compensation Management, Social Networks and Employer Branding with Job Satisfaction that leads to Retention among Private Service Sector Employees in Malaysia.

2. LITERATURE REVIEW

2.1 Determinants of employee retention

2.1.1 Flexible work arrangement

There can be many factors that lead to retention of employees in the private service sector. Flexible working arrangements (FWAs) have been introduced in a few parts of the world in the past few years. Family distress and increased stress is seen in a traditional work schedule whereas employees are more willing to be flexible with employers who are flexible with them and in return, they are willing to work harder.

Health of the employees may also be negatively impacted due to long hours. In the case of China factory workers, there is a link between depression and prolonged work hours among migrant factory workers in China (So, 2010). Lower morbidity was found among men who have occupations with long working hours (Virtanen et al., 2012)

Sila (2010) stated that the impact of monetary is more important for young and old individuals, is most negative for married individuals with young children. Tougher still when one has to care for a disabled or sick child or parent. Work-family conflict and job burnout perceptions are highest in the bigger industry players such as the Big 4 accounting organizations (Buchheit et al., 2015)

Modern technology reduces the importance of synchrony in timing and location, allowing for new possibilities in the organization of work and working time (Possenriede & Plantenga, 2014). Fung et al. (2014) mentioned that employees with more job autonomy tends to experience higher work-family enrichment which would then increase the level of job

satisfaction. Since flexible working time allows workers to align their working hours according to their own needs, it is well-accepted among employees with school-going children who are usually busy their families' chores during early morning and late evening (Idris, 2014). Absenteeism costs local companies RM6 billion each year due to lost productivity (Malaysian Employers Federation).

Flexible working arrangements are very much preferred currently because nowadays there are more single-parent families, dual-earner couples, women, handicapped patients and employees with geriatric care responsibilities (Bond et al., 2002). Flexible work schedules such as flexible work hours, flexible workplaces and tele-work are often used to help employees in balancing their work life and family. Global Workforce Study (2014) stated that the biggest drivers of transformation of business models is flexible work such as virtual teams, co-working spaces, telecommuting and free-lancing have been increasing over the years and it is expected to continue to do so. Government bodies are lauding companies to provide flexi-hours, part-time working options, flexible or remote work places to their employees.

Flexible work arrangements are important factors for the millennials according to the PwC survey in 2011, which 95% of respondents quoted that work life balance is crucial to them and 70% quoted it as very important. Flexibility is the key word for employers wanting to retain the millennials as this generation wants a flexible work schedule with a clear and concise goals and instructions. Most millennials prefer a non-traditional way of work hours such as working from home and working as virtual teams.

A few companies in Malaysia have started implementing flexible work arrangements these past few years such as SIEMENS Malaysia which launched a programme "Work from Home" to promote work-life balance hence improve employee retention by starting work options between 7am-9am and finishing work options between 4pm-6pm by PETRONAS, IBM Malaysia which has a few types of flexible work arrangements for their employees.

2.1.2 Compensation management

According to the American Compensation Association's (1995) definition, compensation is provided by an employer for services rendered in the form of cash and non-cash remuneration. Compensation Management is a channel where employees are rewarded for their work in their organizations and is used to motivate, excite and retain employees. It is an advantage for both employers and employees which is developed specifically based on the goal and objectives of the organization.

Competitive salaries, pension, bonus programs, profit sharing, and health plans, and tuition reimbursement, paid time off, delivers a crucial message to employees about their importance. Salary and benefits are seen as the most important factors that can affect the job satisfaction of any employees (Hayat & Malik, 2010). Compensation management plays a big role in achieving employee satisfaction and employee retention (DeCenzo et al., 2016). Increased absenteeism and lack of satisfaction from the job are indeed effects from the insufficient and inadequate compensation in an organization. Competitive pay and benefit package is a crucial factor to influence employee retention, but not as a whole picture (Zingheim et al., 2009). Positive relationships and working relationships among the colleague are other factors influencing an employee's job satisfaction.

2.1.3 Social networks

Satisfaction connected with working conditions, task variety, colleagues, and workload were positively related to overall job satisfaction (Roelen et al., 2008) and this in turn leads to retention. Individuals who feels that they are in a friendly workplace are less likely to leave the organization (Bertelli, 2007). High-quality interpersonal relations with other people in the organization increase the likelihood that an employee will stay in the organization (Mossholder et al., 2005).

Practical examples include encouraging informal get-togethers, creating special events for new employees, mentorship programs and formal retreats and providing physical space to better foster employee interaction helps to retain employees. Social networks usually bind the employees to their organization and encourages retention.

2.1.4 Employer branding

Employer branding involves a psychological, economic, and functional benefits that employees associate with employment with a particular organization (Saini et al., 2014). Employer branding is an effective tool that helps organizations find potential talents and positioning them as an employer of choice. Satisfaction is the predictor of the employees' future behaviour towards the brand and satisfaction with the job and in return the predictors of retention in an organisation. Employer branding is fast emerging as a long-term human resource (HR) strategy to attract and retain talented workforce.

2.1.5 Job satisfaction

Feldman and Arnold (1983) mentioned that job satisfaction is defined as, "the amount of overall positive affect (or feelings) that individuals have towards their jobs". Job satisfaction is correlated to life satisfaction which means that people who are satisfied with life will tend to be satisfied with the job and people who satisfied with job will tend to satisfied with their life (Rain, et al., 1991)

2.1.6 Employee retention

(Frank et al., 2004) stated that employee retention is the ability to retain employees in an organization for a longer

period. Retention is defined as “An effort by an employer to keep desirable employees in order to meet organizational objectives”. Talent retention is a crucial aspect as keeping the best talents in an organization is important for the growth of the organization. Organizations must retain the people who perform well and have competencies and skills that match the business core needs (Zingheim et al., 2009).

2.2. Hypothesis development

2.2.1 Flexible work arrangement and job satisfaction

As described in earlier part, employees with more job autonomy tends to experience higher work-family enrichment which would then increase the level of job satisfaction (Fung et al., (2014). Flexible Work Arrangement gives the employee the possibility to fulfil his /her family responsibilities hence increases employee retention (Loan-Clarke et al., 2010). Furthermore, significant body of literature review has documented the positive relationship between Flexible Work Arrangement and Job Satisfaction in the banking sector and public sector.

However, there is dearth in research that has investigates this relationship in the context of private service sector industry in the Malaysian context. Considering this, the following relationship is hypothesized:

H1: Flexible Work Arrangement positively affects Job Satisfaction.

2.2.2 Compensation management and job satisfaction

Financial windfalls are one of the factors that affects job satisfaction as mentioned (Kreitner et al., 2002). Compensation systems may influence the retention of employees. Higher compensation level leads to higher job satisfaction and retention rates for the organization will also be higher.

Significant body of literature review has documented the positive relationship between Compensation Management and Job Satisfaction in the education sector and public sector. Rise in pay has been proven to be a negative impact on turnover (Trevor et al., 1997). However, there is lack of studies that exploring this relationship of those two variables in the context of private service sector industry in the Malaysian context. Considering this, the following relationship is hypothesized:

H2: Compensation Management has a direct significant effect on Job Satisfaction.

2.2.3 Social networks and job satisfaction

Specific satisfaction with task variety, colleagues, working conditions and workload were positively related to overall job satisfaction (Roelen et al., 2008) and in turn leads to retention. Significant body of literature review has documented the positive relationship between Social Networks and Job Satisfaction in the education and healthcare industry. However, there is dearth in research that has investigates this relationship of those two variables in the context of private service sector industry in the Malaysian context. Considering this, the following relationship is hypothesized:

H3: Social Networks has a direct significant effect on Job Satisfaction.

2.2.4 Employer branding and job satisfaction

(Saini et al., 2014) stated that employer branding is an effective tool that helps organizations find potential talents and positioning them as an employer of choice. A study has shown positive relationship between outcomes of employer branding (job satisfaction and psychological contract) and employee retention. It is also noted that a positive relationship is found between organizational commitments.

Significant body of literature review has documented the positive relationship between Social Networks and Job Satisfaction in the corporate companies.

The present research examines the impact of employer branding on job satisfaction of existing workforce as there is lack of studies that exploring this relationship of those two variables in the context of private service sector industry in the Malaysian context. Considering this, the following relationship is hypothesized:

H4: Employer branding has a direct significant effect on Job Satisfaction.

2.2.5 Job satisfaction and employee retention

Job satisfaction also refers to how people feel about their respective jobs. Significant body of literature review has documented the positive relationship between Job Satisfaction and Retention in various industries such as education, healthcare and public sector.

Considering this, the following relationship is hypothesized:

H5: Job Satisfaction significantly affects Employee Retention.

The construction of proposed conceptual framework will be fulfilled the main purpose of this research which are to investigate and explore the impact of these factors towards retention in the context of private service sector in the Malaysian context.

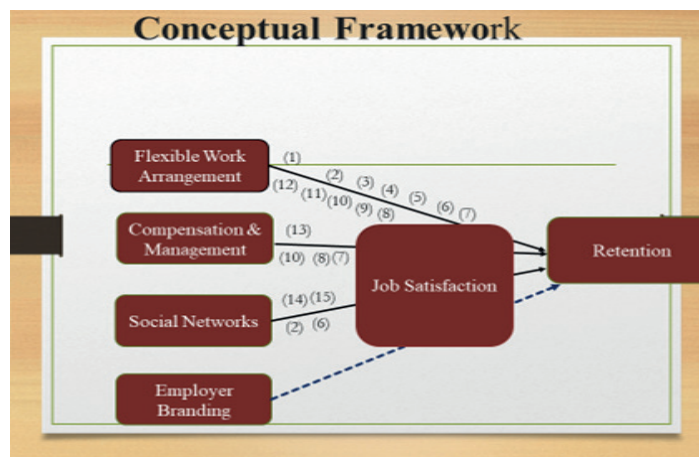


Figure 1. Conceptual framework

3. METHODOLOGY

3.1 Design

A quantitative study using questionnaires was determined to be an appropriate method for this study. The main reasons questionnaires will be used are because they are less costly, less time-consuming and can be given to a few groups of people in a short time. The framework designated from (Cavana et al., 2001) will be used for this study.

3.2 Sample

Unit analysis for this study is individual and target respondents are the private service sector employees in Malaysia. For any 1,000,000 of population size, rule of thumb is that 384 samples should be drawn from it (Krejcie & Morgan, 1970). But, the minimum sample size for most marketing studies is 500. Therefore, a sample size of 500 has been set as a target and data collection process will be implemented by distributing survey questionnaires to the private service sector employees in the subsector of wholesale & retail trade, food & beverages and accommodation in Malaysia.

3.3 Data collection

Data collection will be targeted in about 20 private service sector companies in the subsector of wholesale & retail trade, food & beverages and accommodation in Malaysia where survey questionnaires will be distributed to 500 employees who works full-time or on contract basis. Data collection will be completed within three months. A pilot test which involved 50 relevant respondents will be conducted prior to the real data collection.

3.4 Data analysis

For this section, the data collected from the all the questionnaires will be tested and analysed by using Statistical Package for Social Science (SPSS) and then another software which is the Partially Least Square Structural Equation Modelling (PLS-SEM). The main reasons for using SPSS are for descriptive analysis (frequencies, mean, SD) and inferential (paired sample t-tests) and data conversion whereas (PLS-SEM) will be used to examine the theoretically causal models.

4. CONCLUSION

Many organizations are already facing a drain of human capital and the need to reduce turnover is a crucial problem, Without the right number of staffs, organization will be facing problems to perform their daily tasks, handle customers' expectations in their products or services or even to sustain their businesses in the long term. This study will suggest ways that employers can reduce turnover and encourage retention especially in the private service sector in Malaysia.

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